

From Paper to Platform

Publishing, Intellectual Property and the Digital Revolution



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Table of contents

Acknowledgments	5	Drivers of the digital migration in trade publishing	59
About the author	6	Drivers of the digital migration in educational publishing	60
A note on the statistics and data used in this publication	7	Drivers of digital migration in scholarly and professional publishing	67
List of acronyms	9		
Chapter 1		Chapter 5	
Introduction	10	The business of publishing in the digital environment	73
Literacy, publishing and public policy	10	Publishing and the digital environment	73
		The traditional publishing value chain	73
Chapter 2		Publishing value chains on the internet	78
Publishing and the digital revolution	15	Pricing and new business models	90
		Open-access and “free” content	99
Chapter 3		Hybrid business models: managing analogue and digital businesses together	100
The global publishing industry	27		
Book publishing at a glance	27	Chapter 6	
Global publishing markets	37	Managing rights in the digital environment	106
The international trade in rights and translations	45	Copyright and the internet	106
		Why authors and publishers must understand copyright and licensing	108
Chapter 4		Relevant digital rights	109
What drives digital migration in publishing?	54	New digital copyright challenges	111
Socioeconomic, cultural and political drivers	54	Public domain, free and orphan works	116
Consumer choice: the ultimate driver	56		

Managing digital rights	117
Blockchain and digital rights management	118
Collective licensing	119

Chapter 7

Piracy in the digital environment	125
Anti-piracy strategies	128

Chapter 8

Conclusions	134
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Annexes

Annexes	138
Public policy checklist that enables digital migration	138
Author/publisher digital copyright skills checklist	141

List of boxes

2.1 Case study 1: Digital revolution – <i>Encyclopædia Britannica</i>	17
2.2 Case study 2: Digital revolution – Online literature in China	22
3.1 Case study 3: Iceland, a country immersed in books	39
4.1 Case study 4: OECD study on computers and learning	61
4.2 COVID-19 and digital tools in education	63
5.1 Case study 5: J.K. Rowling	86
5.2 Case study 6: Romance writers in the United States	86

List of figures

2.1 Title page of the first edition of <i>Encyclopædia Britannica</i>	21
5.1 Trade publishing value chain	74
5.2 Educational publishing value chain	76
5.3 Scholarly publishing value chain	78

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The data for this paper has been collected from many resources. The main source is the WIPO report, *The Global Publishing Industry in 2018*, published in 2020.¹ Further data was sourced from Rüdiger Wischenbart Content & Consulting² and countless publishing industry resources.

1 WIPO (2020). *The Global Publishing Industry in 2018*. Geneva: World Intellectual Property Organization. www.wipo.int/edocs/pubdocs/en/wipo_pub_1064_2019.pdf

2 www.wischenbart.com/

About the author

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All views expressed in this publication are his own and not those of the World Intellectual Property Organization.

A note on the statistics and data used in this publication

The digital revolution has made measuring the publishing industry, already a daunting challenge in the print-on-paper world, nearly impossible. The rise of self-publishing has meant that it is no longer possible to determine the number of publishers, as many authors publish their own works, consultants publish reports on social media presence, and corporations and organizations engage in publishing operations of varying sizes. Everyone is a publisher now, if perhaps not a professional one. Similarly, it is no longer possible to count the number of titles published, as it is no longer clear what a title is or when a book that is repeatedly, or even constantly, updated or can be individually customized should be considered 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 sold as subscriptions, typically for limited periods of time.

Trade secrecy adds to the guesswork: many major publishers also operate in other media and no longer publish data just for book sales. Others 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 their international rights sales.

Still, there are some publicly available data points, and as they change over time this allows observers to draw certain conclusions. The WIPO study on the publishing industry in 2018¹ collected the most authoritative data available, an important task that not only provided important insight but also highlighted the need for further efforts in the industry to provide data that can support public awareness and policy.

All data in this book is presented in US dollars (USD). The strong fluctuations of the US dollar, particularly compared with the UK pound sterling (GBP), the Russian rouble (RUB) and the euro (EUR),

make comparing market sizes difficult. Most of the publishing data cited were 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 the yearly average currency exchange rates of the US Inland Revenue Service.²

1 WIPO (2020). *The Global Publishing Industry in 2018*. Geneva: World Intellectual Property Organization. www.wipo.int/edocs/pubdocs/en/wipo_pub_1064_2019.pdf

2 IRS (2021). Yearly average currency exchange rates. Washington, D.C.: IRS. www.irs.gov/individuals/international-taxpayers/yearly-average-currency-exchange-rates

List of acronyms

BRIC	Brazil, Russian Federation, India and China
CMOs	collective management organizations
DOI	digital object identifier
EU	European Union
ICT	information and communications technology
IP	intellectual property
ISTC	International Standard Text Code
MOOCs	massive open online courses
NGO	non-governmental organization
OECD	Organisation for Economic Co-operation and Development
OLT	ONIX for Licensing Terms
RROs	reproduction rights organizations
TPMs	technical protection measures
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
VLE	virtual learning environment
WCT	WIPO Copyright Treaty
WIPO	World Intellectual Property Organization
W3C	World Wide Web Consortium

Introduction

Literacy, publishing and public policy

The development of writing has allowed humans to pass on increasingly precise information in previously unknown quantities across generations, societies and borders, laying the foundation for today's culture, science and economy.

The history of ideas is also a history of the written word, from the first written records that accompanied the rise of civilization in Mesoamerica and Mesopotamia around 3500 BCE¹ to the books that were the foundations of the monotheistic religions, to block printing in sixth-century China, to Gutenberg's moveable metal type printing presses that brought the ideas of the Enlightenment to the broader public, and onward to the revolutions of modern time.²

The scientific revolution and the development of the printing press in the fifteenth century necessitated the profession of publishing. Initially, publishers were printers and booksellers. Soon they began commissioning talented or popular writers, paying them advances and organizing subscriptions to finance a print run ahead of a publication's completion. And although printing and publishing have been closely related professions – and are to this day often confused in the public mind – publishing has advanced to becoming a core skill set for professionals in the book industry and other creative industries, such as music, film, software and gaming.

Since the fifteenth-century creation of this technology, public policies and changing consumer behaviors have revolutionized the publishing industry many times over. Printing presses, cheaper paper, rotary presses and so forth have turned books into mass-market products. Copyright laws, fixed book pricing frameworks, censorship and government procurement policies, among many other policies, have shaped national book markets. Improved postal services, commercial libraries, international book fairs, book

clubs, mail order services and countless other innovations enabled publishing to become the largest creative industry for centuries.

The digital revolution not only threatens the role of the publishing industry, it blends all the creative industries, seemingly dissolving the boundaries between text, software, audio and audiovisual publishers.

The emergence of the internet as a seemingly single medium has not changed the importance of literacy and reading. Before discussing the effects of the digital revolution on book culture and the economy, it is important to remember why policymakers should care about the promotion of book culture and reading as important global public policy objectives.

Research has shown that regular literary reading is strongly correlated with higher educational attainment, greater income, more civic engagement and even a higher propensity to vote.³ Studies by the Organisation for Economic Co-operation and Development (OECD) have shown that engaged reading is more important to academic success than socioeconomic background.⁴ The World Bank considers textbook provision to be the most effective way to strengthen education.⁵ So strong is the political consensus on the importance of literacy that, in 2002, the United Nations (UN) proclaimed that the United Nations Literacy Decade would be in effect from 2003 to 2012.⁶

The consensus on the value of literacy and reading remains very high: research has found that good readers are also skilled navigators of the digital environment. Test scores for “paper” literacy are powerful predictors of test scores for digital literacy.⁷ So although technology has changed, the importance of literacy and reading compels policymakers to establish universal literacy as an objective for national development. Book and reading culture and the development of a publishing industry remain central to cultural, economic and social development.

These global and multifaceted efforts, of which the UN initiative was a part, have paid off: at the end of the UN Literacy Decade, the global literacy rate surpassed 84 percent for adults and 89 percent

for youth.⁸ These successes have strengthened the global community's resolve. As part of the Sustainable Development Goals, which entered into force on January 1, 2016, UN member states have committed to achieving 100 percent youth literacy by 2030. This means lifting more than 123 million young people, over 60 percent of whom are female, out of illiteracy.⁹

The importance of copyright as the basis for publishing industry business models has also remained unchanged. The World Intellectual Property Organization (WIPO) has long recognized the importance of copyright to the publishing industry. The Berne Convention, the WIPO Copyright Treaty and other conventions have all taken special care to ensure that copyright incentivizes authors and publishers to invest in the creation of literary and other works. Most recently, the WIPO 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."¹⁰

While copyright protection remains a bedrock of publishing, digital technology is disrupting all publishing sectors. It provides opportunities for authors to find readers via new media and devices and to communicate in newly interactive ways. The internet has made some parts of the traditional publishing industry obsolete: publishers of dissertations, subscription agents and directory publishers have disappeared or drastically changed their business models. Bookshops have gone online, libraries are competing with search engines, and the publishing process has had to adopt new media and business models to survive. Many traditional intermediaries have been replaced by innovative companies and the skills and services these companies provide have changed or displaced many traditional businesses.

Supporting the development of a national book and reading culture through local professional writers and publishers requires an understanding of the way this sector of the creative economy works and how it is affected by the digital revolution. The entire publishing

industry has changed dramatically, but different parts of the industry have been affected in different ways. The recurring prediction that “within five years we will no longer be reading or writing on paper at all”¹¹ has not materialized, and it remains an open question whether it ever will.

Another question is why the publishing industry is slow to develop in many developing and emerging economies. The responsibility lies to some extent in public policy: the publishing industry (including authors, publishers, bookshops, technology providers, libraries and the intermediaries that form its ecosystem) is highly dependent on supportive public policy. Import tariffs on paper, copyright laws and their enforcement, value-added tax (VAT)/general sales tax (GST) rates on books, and other national laws and international agreements directly affect the sustainability of national publishing industries: subsidies for public and school libraries increase the availability of books, whereas literacy programs increase interest in them. National policies can strengthen local publishing, particularly textbook publishing, rather than cede markets to international publishers. Local publishing is especially advantageous for developing countries because it allows a local industry to better meet the demand for textbooks that are adapted to local requirements, as well as providing culturally relevant books.

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

Notes

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Chapter 2

Publishing and the digital revolution

The digital revolution has not simply upgraded the technology we use; it has also changed the way we behave. More than 5 billion mobile phone users¹ can now use their smartphones to discover and access an exponentially greater number of sources of information, learning and entertainment than ever before. It has empowered consumers to interact with creators, businesses and each other in new ways and with global reach.

For the creative industries, the digital revolution has changed more than just the devices and media through which “content,” the contemporary generic term for all cultural works on the internet, is consumed. It has created new reading habits, changed perceptions of the value of content, heightened expectations regarding the availability and veracity of publications, and created a sense of freedom to share content with anyone. These new behaviors have destroyed some business models and enabled others. They have created new industry giants and swept away those that were unable to adapt to these changes.

The book publishing industry has been affected by the digital revolution in unique ways. Some parts of the publishing industry have remained steeped in the world of ink on paper, as have their readers – who in many sectors continue to prefer printed books over their digital counterparts. Other parts of the industry are at the cutting edge of the information revolution and have either driven the development of new technologies or quickly adapted to new opportunities.

The World Intellectual Property Organization’s (WIPO’s) first publication addressing copyright and book publishing was *Managing Intellectual Property in the Book Publishing Industry*.² To the extent that it provides a very practical guide to copyright principles and licensing agreements, it has stood the test of time and remains a useful practical guide. But it was written at a time when the digital revolution had not yet fully reached the book industry.

This publication will focus on the strategic challenges that the digital revolution has created for what has traditionally been called the “book industry”, namely, the publishing industry sector that publishes trade (consumer) books; the educational publishing sector that publishes textbooks for primary, secondary and tertiary education; and the scholarly publishing sector that publishes scientific journals and monographs. This classification may provide some arbitrary delineations; it excludes those parts of the industry that publish databases, online courses, games, websites, newspapers and newsletters, and professional, consumer or customer magazines. Expanding beyond these three broad sectors would make this publication unwieldy and less useful for those interested in the traditional core businesses of publishing: to tell stories, to give teachers teaching tools, and to record and publish the official record of science.

The intention of this publication is to help forward-thinking authors, publishers and policymakers, especially those in developing countries, to understand the strategic challenges that they face and to obtain an overview of the choices their counterparts in other countries have made.

However, a word of caution is needed: in this time of dramatic change, any publication that discusses digital issues can barely record the status quo, and given the range of different developments in different countries it can only provide selective snapshots. It most certainly cannot 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 by digital changes in different ways.

Change is constant, and digital technology drives the societal changes that shape the future of the publishing industry. This publication will look at these market factors, trends and policy drivers that all authors, publishers and policymakers must be aware of. Whereas all stakeholders need to evaluate the same drivers of change, individual authors, publishers and policymakers must use evidence and experience to draw their own conclusions. This report provides information, not instruction. Where publishing has migrated

to digital products, copyright and licensing has moved to the forefront of the publishing business. The second part of this publication will therefore focus on copyright and licensing issues and how copyright and licensing are shaping new business models on the internet.

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

Box 2.1 Case study 1: Digital revolution – *Encyclopædia Britannica*

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

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

Given the care and effort that was put into each entry, editions of the *Encyclopædia Britannica* were expensive to create and slow to develop. 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 (from 1778 to 1784) to be published. Over time, new editions expanded with the growth in knowledge that needed to be covered. The 15th edition, which was published from 1974 onward, included 30 volumes and annual revisions. At its peak in 1990, the *Encyclopædia Britannica* sold in the range of 120,000 copies.

Then the digital revolution hit. Six years later, with fewer than 40,000 copies sold and amid rumors of financial difficulties, *Encyclopædia Britannica* was sold to an international investor. In 2010, *Encyclopædia Britannica* announced that its revised 15th edition, which had sold 8,500 copies in total, would be its last printed edition.

It would be wrong to say that the publishers of the *Encyclopædia Britannica* had not recognized the need to adapt to digital changes. At the time that the final print edition of *Encyclopædia Britannica* was sold for USD 1,395, an online version could be purchased for USD 70 per year. *Encyclopædia Britannica* had not only developed its prepublication digital production, it was also offering digital versions early on: the first CD-ROM version was published in 1994, and subscription-based online products were also developed in the 1990s. At the end of the 1990s, the publishers even experimented with a free online version.³

Since its purchase by investors, the publishing business strategy of the company that holds the *Encyclopædia Britannica* brand has changed. It has reinvented the *Encyclopædia Britannica* as a high-quality, curated reference publisher with a range of different products, both paper and digital.

The dramatic collapse of print sales reflects a change in the audience and the business model. Increasing numbers of people are connected to the internet. Wikipedia has become a universal starting point for research and reference, despite its clear and inherent shortcomings. This has left niches for other publishers, and many reference publishers continue to flourish with the publication of online and offline reference works.

The *Encyclopædia Britannica* has changed from a single, print-based publication into a multifaceted publishing company that mixes and divides its content to create a varied portfolio of products.⁴ It offers encyclopedias, dictionaries and other books targeting different audiences, sometimes using Britannica-related brands, and 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 offer images from a range of collections. A visit to the publisher-owned online shop (<http://store.britannica.com/>) or the corporate website (www.britannica.com) shows that this company is stretching itself to find new niches, new partnerships and new audiences that recognize the brand's core value: curated knowledge.

1771

The first edition of the *Encyclopædia Britannica* is completed in Edinburgh, Scotland.⁵

1826

Britannica is bought by A & C Black.

1899

A version of the encyclopedia is produced in both Britain and the United States of America.

1932

Door-to-door sales and annual reprints begin.

1981

The first digital version is created.

1991

Peak sales of 120,000 copies.

Britannica releases a CD-ROM version.

1993

Microsoft publishes Encarta on CD-ROM.

1994

Britannica launches its first internet-based encyclopedia, accessible for a fee.

1995

Following dwindling sales, the company is sold.

Photographs are added.

1997

Multimedia features are added.

1999

Britannica announces that access to its online encyclopedia will be offered for free.

2001

Wikipedia is founded.

Britannica resumes charging an annual fee for access to its online version.

2009

Microsoft announces it is discontinuing Encarta, saying it can no longer compete with Wikipedia.

2012

After 244 years, Britannica announces it will discontinue its print version.

2019

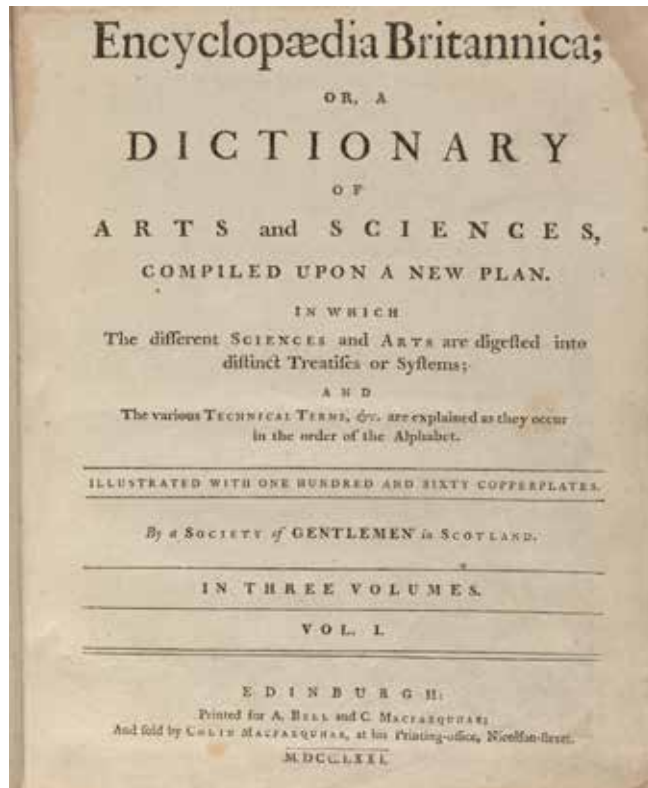
Encyclopædia Britannica Inc. is named “No 1. Company to Watch” in the 2019–2020 EdTech Report.⁶

It uses its powerful brand to offer a range of apps, online services and publications on seven different websites, each targeting different countries or regions. The brand has been extended to include, for example, Britannica Kids, Britannica Escola and Britannica Digital Learning. Other brands, such as the Merriam-Webster Dictionary and Spanish Central, have been added to the portfolio. The imprint has been licensed to Publications International, for example, for the *Encyclopædia Britannica 6-Book Interactive Science Library*. This includes an interactive reader and posters, and specifically targets schools.⁷ New partnerships with governments have been forged to create products adapted to local curricula.

Michael Ross, long-standing Senior Vice President/General Manager at Encyclopædia Britannica until 2017, 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."⁸

Just before its 250th birthday in 2018, CEO Karthik Krishnan, stated: "Given the global push to transform education and the eroding public trust in the quality and veracity of information on the Internet, the time is now for Team Britannica to join forces with consumers and public and private entities to make a positive difference."⁹

Figure 2.1 Title page of the first edition of *Encyclopædia Britannica*



Source: Typ 705.71.363, Houghton Library, Harvard University.

Box 2.2 Case study 2: Digital revolution – Online literature in China

The digital revolution can also create entire new industry sectors and business models, and the phenomenon of online literature in China is a prime example. In China, traditional publishing is highly regulated, and only a small number of publishers have the necessary license to publish. This, combined with the great challenges that widespread piracy brought to digital publishing in the 1990s, led to Chinese trade publishers being slow to develop the digital marketplace.

While traditional publishers were slow to publish e-books and offer them through online bookshops, from 2003 onward, online Chinese literature sites such as www.qidian.com invited hobby writers to post their stories. To avoid problems with piracy, a different business model was developed: stories were often serialized and released over time, chapter by chapter. Readers paid small subscription fees to access the site where new chapters appeared, and writers received a share of the subscription income, based on their popularity.

Since then, this new method of creating and sharing stories has developed into a cultural phenomenon, an economic engine and a multifaceted business model in its own right. As of early 2020, 17.5 million writers have published more than 25 million novels online.¹⁰ Popular genres include fantasy and romance, often depicting ordinary people with hidden powers performing acts of heroism.

The growth of these 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 Chinese yuan (CNY) (USD 16.8 million). This money did not only come from the books themselves and readers' subscriptions; the intellectual property created in these books, the characters, settings and storylines of the most successful authors, are licensed to create television series, film adaptations, video games and other branded merchandise.¹¹

As a result of this development, “intellectual property” (“IP”) has now become a buzzword in China referring to intellectual properties or original content that is often adapted into movies, television shows and games.¹²

Excerpts from an interview with Zhang Wei¹³

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

“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.

“How do you maintain your relationship with your readers as an internet writer?”

“Zhang Wei: My readers generally range from 8 to 25 years old. To me they are like friends, like family. They are just so important to me. I spend far more time with them than I do with my family. Support from them in the very beginning 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.

"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.

"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 '80s. 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.

“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 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.

“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 underway.”

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Chapter 3

The global publishing industry

How large are the creative industries overall, and what role do the publishing industries explored in this report play?

WIPO studies¹ have found that the copyright-based industries overall contribute between 2 and 11 percent (USA) of gross domestic product (GDP) to the national economy, with an average of 5.18 percent. Three-quarters of the 43 studied countries show a contribution between 4 and 6.5 percent.

While no global data exists, a few further data points shine a spotlight on certain elements of the publishing industry and help assess their economic importance with respect to national GDP and to other creative industries. In the USA, book publishing (consumer, education, academic) was valued at ca. USD 38 billion in 2018. This is larger than the music industry (USD 2 billion in 2019) and the video game industry (USD 26 billion in 2019).²

In Europe, the publishing industries in Europe accounted for ca. EUR 22.4 billion in 2019.³ The video game industry is almost the same size at EUR 21.6 billion in 2019.⁴ The music industry in Europe achieved USD 6.2 billion in 2019.⁵

Book publishing at a glance

At consumer prices, publishing industry revenue from the 11 countries with the largest publishing industries amounted to USD 248 billion in 2017.⁶ This makes publishing one of the largest creative industries. By comparison, in 2019, global recorded music revenue was USD 20.2 billion.⁷ That year, the global film industry turnover was estimated at USD 136 billion.⁸

Consumer publishing, also called trade publishing, is the most visible. The OECD estimates global sales of fiction and nonfiction books to consumers was USD 87.9 billion in 2020.⁹ In developing

countries, educational publishing can provide a greater share of the national publishing industry's turnover. Educational sector revenue accounted for over half of total revenue in Brazil (62.4 percent), South Africa (68.7 percent),¹⁰ the Republic of Korea (65.2 percent), Mexico (74.2 percent) and Turkey (59.5 percent).

The third major publishing sector, scholarly publishing, comprises at its core more than 9,800 journals that contain more than 1.85 million research articles. While demand for access to this enormous body of research is global, the journals are mostly published in a handful of countries, with an annual industry turnover of about USD 24 billion.¹¹

Although, in theory, most countries have both the domestic demand to support their own national publishing industries and the skills and resources to develop it, local publishing industries are often not developed to their full potential. The four largest national publishing industries (China, Germany, the United Kingdom and the United States of America) accounted for most of the worldwide publishing business in 2017: the United States achieved net revenues of more than USD 25 billion. China is one of the largest publishing markets, with book retail sales totaling USD 13.1 billion (CNY 89.4 billion) in 2018. Germany's publishing industry turnover is estimated to be more than USD 5 billion, followed by the United Kingdom (close to USD 5 billion).¹²

While North America, Europe and Asia – powered by China, India, Japan, the Republic of Korea and Turkey – represent most of the world's publishing market, publishing remains underdeveloped in many countries in Asia and Latin America, as well as Africa and the Middle East. Market demand is often served by foreign publishers. The UK educational publishing industry earns more than 55 percent of its revenue overseas.¹³ This is, however, a dynamic snapshot. In recent years, the markets in most industrialized countries have been stagnating or declining, whereas China, India and, at times, Brazil have experienced dramatic growth. These markets are more volatile due to political and economic developments. The so-called BRIC countries (Brazil, the Russian Federation, India and China) remain a focus for those who are looking for substantial growth. Ultimately, publishing rises and falls with the economic fortunes of the middle

classes who value education, reading, self-actualization, intellectual discourse and culture.

At the top, publishing is a very concentrated industry. The 50 largest publishers worldwide¹⁴ have a turnover of around USD 76.5 billion. In 2017, the 10 largest publishing houses were Pearson (United Kingdom), RELX Group (formerly Reed Elsevier; the Netherlands, United Kingdom and United States), Thomson Reuters (United States), Bertelsmann, (Germany), Wolters Kluwer (the Netherlands), Hachette Livres (France), Grupo Planeta (Spain), Springer Nature (Germany), Scholastic (United States) and McGraw-Hill Education (United States). Together, they accounted for an annual turnover of approximately EUR 50 billion (USD 54 billion).¹⁵

One reason for this concentration is economies of scale, which are particularly applicable in a global, digital environment. Other reasons vary in different sectors: trade publishers require large sums of money to sign best-selling authors and promote them internationally; educational publishers require a range of skills and resources to develop high-quality content that teaches local curricula; and scholarly publishers must make significant investments in technology.

Most attention is generally given to the “Big Five” trade publishing houses dominant in the United States, which cover about one-third¹⁶ of the trade market: Penguin Random House, Hachette Book Group, HarperCollins, Simon & Schuster and Macmillan.¹⁷ In fact, only two of them are US-owned: HarperCollins is owned by News Corp and Simon & Schuster is owned by the CBS Corporation. Bertelsmann, which owns Penguin Random House, is based in Germany; Hachette Livre is based in France; and Macmillan is owned by Holtzbrinck, also in Germany. Other major international publishing houses are Grupo Planeta (Spain), Bonnier (Sweden), Egmont (Denmark), Phoenix Publishing & Media (China) and China South Publishing & Media Group (China).¹⁸

The total number of publishers has become difficult to track. Digital publishing has a low threshold of entry because online sales (and online sales channels) have made it easier for small publishers,

including self-publishing authors, to enter the market. Many authors sell or license their books through channels that are not easily measured or that do not publish data. One of the major international sales channels for e-books, Amazon, does not publish any sales data. Still, there is some evidence that self-published books might have become a substantial sector.¹⁹

The trade sector

About one-third of the global publishing industry is consumer publishing, or trade publishing, as it is known in the business, because its traditional distribution channel was the retail trade. It includes all books, paper or digital, that are purchased by the general public, including literary fiction and nonfiction. Typical literary fiction genres include general fiction, classics, crime, suspense, science fiction, romance and graphic novels. Nonfiction genres include religion, reference, travel, biography, health, self-help, business, cooking, home and garden, art, and computers and technology.

Every emerging economy can sustain a national consumer publishing industry. Publishing is an attractive industry to develop, as it can create a large number of middle-class jobs for educated persons without major demands on natural resources. Quality 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, self-improvement and professional advancement, and to educate their children. The size and growth of the global middle class naturally brings a number of countries into particular focus as potential growth markets, specifically China, India, Indonesia, Nigeria and the Philippines.²⁰ The strong growth projections for the middle class in emerging economies predict an overall shift in the global publishing industry toward Asia and provide a very positive outlook on sub-Saharan Africa.

Governments can support their national consumer publishing markets by supporting reading and book culture, and – indirectly – by incentivizing local educational publishers. This can be done through early reading campaigns for very young children, literacy and reading programs, support for libraries, and policies that strengthen the book industry, such as reduced valued-added tax (VAT) on books or tax relief for book distributors and bookshops. Keeping authors, books and reading in the public discourse through awards and honors, television shows, public events and campaigns can also help support reading habits. Such policy measures are even more effective if they are clearly targeted and their effects carefully monitored.

The educational sector

Educational publishers help create, plan and distribute textbooks, workbooks, tests and teacher support materials that are used in preschools, primary schools and secondary schools, both public and private. Their publications typically follow the requirements of specific national curricula. Some also sell textbooks following international or foreign standards, such as the International Baccalaureate or International GCSE, to international and private schools in several markets

Nearly half of the world's publishing industry (the author estimates around 45 percent) serves the educational market. This percentage is far greater in developing countries, where educational publishing is the foundation of the local publishing industry, at times exceeding 90 percent. Most local trade publishers will have started as educational publishers before expanding into children's books and other trade publishing activities.

The largest international educational publishers include Pearson (United Kingdom), China Education Publishing & Media Group (China), China South Publishing & Media Group (China), Grupo Planeta (Spain), Hachette Livre (France), McGraw-Hill Education (United States), Holtzbrinck (Germany), John Wiley & Sons (United States), Scholastic (United States) and Oxford University Press (United Kingdom).²¹

High-quality textbooks and other instructional material are an important factor in promoting education in developing and emerging economies, as education is one of the first areas of investment for any emerging economy. Where qualified teachers are in short supply, classrooms are large and teachers have few training opportunities, textbooks become an important tool for providing quality education.²²

There are several factors that determine the size of the national educational publishing industry. Naturally, the number of children in schools and the amount of government spending on education provide the general framework. Private schools may also be a lucrative market in countries where such schools are prominent. Curriculum changes give the markets new impulses as changes to the learning objectives often require new textbooks.

The role of government policies in educational publishing

The most important factor in the educational publishing market is national textbook procurement policies. The regulations that determine how textbooks are adopted and made available to students often determine whether the local demand for textbooks can be fulfilled by local authors and publishers, and whether the distribution of textbooks supports local bookshops and the overall distribution infrastructure.

In 2013, for example, the Government of Hungary passed a law to put the creation of school textbooks under government control and to reduce the number of textbooks available for schools.²³ This has severely affected local educational publishers. The law has been criticized by the publishing industry,²⁴ parliamentary opposition parties²⁵ and some media outlets.²⁶

Another example is the Republic of Korea's Ministry for Science and Technology's 2011 announcement that the entire school-age curriculum would be made available on computers, smartphones and tablets by 2015.²⁷ This caused publishers to change their publishing strategies accordingly. One year later, the ambitious policy was scaled back, amid educators' and parents' concerns that

children were spending too much time in front of computer screens. Some countries – for example Greece, India,²⁸ Mexico,²⁹ Norway, Poland and Switzerland – have single national textbooks published by government institutions.³⁰ This lack of competition, where there is de facto only a single textbook on offer, creates its own challenges: problems with quality, whether due to errors³¹ or because they are outdated, cannot be addressed by teachers through the choice of alternative learning materials. Furthermore, political problems arise if a government seeks to inject textbooks with a nationally controversial political perspective. Several countries have had important political debates about the content of their textbooks. Controversies have arisen regarding history books in particular, for example, in Hungary,³² the Republic of Korea,³³ the Russian Federation,³⁴ the United States³⁵ (where states adopt textbooks) and former Yugoslav republics.

In some countries, the government tries to maintain high textbook quality by organizing public tenders and allowing international publishers to submit offers. In these instances, large international publishers often have a competitive advantage due to their international experience, economies of scale, large editorial teams and internationally recognized brands.

Where public schools do not purchase commercial textbooks, tests and supplementary content from local publishers, educational publishers often publish works for private schools and the so-called afternoon market. This market publishes educational books intended to help children learn outside of school; these books are typically bought by parents.

Preschool and early learning have also developed into a market segment of their own, as policymakers have given this area increasing attention. Early learning is considered a very inexpensive and effective way to reduce inequality and increase opportunities for all socioeconomic groups by improving literacy and school preparedness. Investment in early education for disadvantaged children from birth to age five years helps reduce the achievement gap and reduce the need for special education for children who have intellectual or physical disabilities. It increases the likelihood of healthier lifestyles, lowers the crime rate and reduces overall social

costs. Every dollar invested in high-quality early childhood education produces a 7 to 10 percent per annum return on investment.³⁶

The role of domestic markets

Educational publishing for primary and secondary schools is typically focused on national markets. There are a number of reasons for this. First, national curricula vary widely. In some countries with a federal governance structures, such as Germany and the United States, individual states may even follow different curricula. For example, in language subjects, some curricula might emphasize correct grammar and writing, while others also require history or cultural learning. Even in subjects such as mathematics or physics, different countries might have different pedagogical approaches and standards.³⁷ Second, there is a growing trend to teach reading and writing in the child's first language, which, in many developing countries, can mean publishing books in several local languages and might help improve educational outcomes.³⁸ Third, young children learn best when their reading materials relate to their specific life circumstances. This is particularly true for younger children who need to be familiar with the reading context to focus on learning.

There have been efforts to internationalize curricula. This may make sense for undergraduates and older children who pursue international certificates, such as the International Baccalaureate. Historically, this has given publishers from former colonial powers the opportunity to promote textbooks from their home countries. This is one of the reasons why 72 percent of the UK educational publishing industry's revenue comes from export.³⁹

More recently, technology companies have been promoting international curricula, primarily to make it easier for their technology-based education platforms to operate in different national markets. This runs counter to the aforementioned pedagogical arguments for educating young children in their first language and against using books that reference a different cultural context. Still, platforms might provide some students living in more remote places with access to educational content online that would

otherwise not be available. In general, platforms can also host local content and can be run by local service providers as a lucrative business model (please refer to the section in Chapter 4 on drivers of digital migration in educational publishing).

The scholarly and professional sector

Academic and professional publishing is the third important publishing sector discussed in this report. This sector publishes journals, monographs, reference works and data sets for scholarly communication, which form a public record of research findings for various professions (law, accounting, finance, etc.). The target audiences are usually limited to postgraduate researchers and professionals in the field.

Investment in scientific research has become an important policy for many developing countries, which see that this can bring financial rewards to the country through patents and innovation. The growth in research and development (R&D) spending in China has been particularly notable, tripling from 0.6 percent of GDP in 1996 to 1.7 percent in 2009, and over 2 percent in 2015. The latest estimates suggest China will meet the OECD average of 2.4 percent by 2020. Other East and Southeast Asian economies have also seen rapid growth.⁴⁰

The growing internationalization of research is reflected in an increasing proportion of articles written by authors from several countries and citations from outside of the country of authorship.⁴¹ Unlike educational publishing, the scholarly publishing market is extremely global in outlook, with most research being shared internationally. However, although there are national publishers in most (if not all) countries, the scholarly and professional publishing industry is highly centralized within Western Europe and North America.

Because the publication of findings is integral to the research process, the roles of authors and publishers in scholarly publishing are different from those in other publishing sectors. Authors within scholarly publishing do not publish directly for financial reward,

but to formally record their findings and advance their scientific reputation and career. They are typically not remunerated by the publisher for their authorship, although those with academic or government salaries may be expected to publish as part of their positions. Publication in high-impact journals may bring indirect rewards, as it increases the author's likelihood of career advancement⁴² and additional research funding.⁴³

Similar to educational publishing, the actual consumers of scholarly publications are usually not those who purchase the publications. Whereas in educational publishing, governments and schools purchase textbooks and other materials for pupils to use, in scholarly publishing, academic libraries usually purchase publications for use by people affiliated with these institutions. Although this is of course not always the case, it is the predominant model and has implications for both print and digital publishing business models.

One important difference between scholarly and professional publishing and the other publishing sectors is that the volume of publications tends to be driven by the research authors, not by the purchasers: as the number of researchers and their research output grows, so does the number of articles published. The estimated annual growth in the number of scholarly journal articles has been around 3 percent for at least the past two centuries.⁴⁴ This puts strain on the purchasers (especially libraries and academic institutions), which need to provide their patrons with access to the growing number of articles and specialized journals, but which frequently do not have the funds to match the increasing volume of publications.

There are approximately 5,000 journal publishers listed in the industry's international databases, with perhaps an additional 5,000 smaller publishers with specialized or locally relevant titles. There are 650 publishers organized in the main international trade bodies; of these, some 480 publishers (73 percent) and about 2,300 journals (20 percent) are run by not-for-profit publishers or scientific societies. The business model of the publishing arms of not-for-profit academic institutions (e.g., Oxford University Press) or scientific societies is typically still oriented toward economic sustainability or a contribution to the owner's social purpose. There is also a

concentration at the very top, and more than 40 percent of all journals are published by six companies: Elsevier (the Netherlands), John Wiley & Sons (United States), SAGE Publications (United Kingdom), Springer Nature (Germany), Taylor & Francis (United Kingdom) and Wolters Kluwer (the Netherlands).⁴⁵

Global publishing markets

The United States

The US book and journal publishing industry generated a net revenue of USD 25.9 billion in 2017.⁴⁶ Revenues and unit volume essentially stabilized over the years 2014 to 2017, which is a sign of a mature market.⁴⁷

The largest sector, trade publishing, generated USD 15.9 billion in net publisher revenues in 2017. Revenues for audio books have grown significantly, from USD 299 million in 2012 to USD 1.2 billion in 2021.⁴⁸

In 2013, revenues from online retail sales exceeded those of brick-and-mortar bookshops for the first time. In 2017, more than 34 percent of the copies sold in trade publishing went to online sales channels and another 22 percent went to brick-and-mortar bookshops.⁴⁹

The US publishing market cannot be described without mentioning the dominance of one online bookseller, Amazon.com Inc. (commonly referred to as “Amazon”). The publishing industry is highly dependent on Amazon for the online sale of printed books, but Amazon is less dependent on books: even though Amazon controls 65 percent of online sales of printed books,⁵⁰ book sales only amount to 7 percent of its business.⁵¹

Given its dominant position, Amazon can put pressure on publishers' profit margins. Smaller publishers are forced to sell their books to Amazon at more than a 60 percent discount. 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.⁵²

This situation has created a groundswell of complaints from the publishing industry alleging abuse of a dominant position, and Amazon faces a continued threat of antitrust litigation both in the United States⁵³ and elsewhere.⁵⁴ Because Amazon appears to have been using its dominant position to decrease prices for consumers, US competition authorities tend to be reluctant to support publishers and other booksellers.

Trade (consumer) e-books in the United States

E-book sales to consumers grew dramatically in 2009 (356 percent), 2010 (199 percent) and 2012 (44 percent). In 2018, e-book revenues for trade publishers rose to USD 3.2 billion.⁵⁵ E-books made up 19.4 percent of the trade book market.⁵⁶ Downloaded audio, which is a subcategory of e-books, accounts for 7 percent of this market.

E-book sales in the United States are dominated by Amazon and, as a distant second and third, Apple and Barnes & Noble. This is largely due to the popularity of certain dedicated e-book readers, with Amazon's Kindle being the predominant platform for trade e-books.⁵⁷ This has led to claims by US publishers⁵⁸ and booksellers⁵⁹ of anti-competitive behavior.

The European Union: a diverse single market

More than 605,000 titles were published in Europe in 2019. Book publishers from the European Union (EU) and the European Economic Area had total annual sales revenue of approximately EUR 22.4 billion (USD 25 billion).⁶⁰ Among the largest markets in terms of publishers' turnover in trade and education in 2018 are Germany (USD 6.1 billion⁶¹), the United Kingdom (USD 5.4 billion) and France (USD 3.0 billion⁶²).

In addition to the new titles issued by European publishers, about 12.5 million different titles were listed as being in print or available in 2019. More than 62 percent of publishing revenue comes from trade publishing, whereas less than 20 percent comes from the education sector and the scholarly and professional publishing sector.⁶³

Even though four out of five publishers sell e-books, their market share in different countries varies dramatically. In the United Kingdom, the e-book market share of trade books was 15 percent in 2016, down from 17 percent in 2015.⁶⁴ In other countries, it was far lower in 2017. For example, it reached only 2.3 percent in France, 4.5 percent in Italy and 1.9 percent in Spain.⁶⁵

Exports are an important part of the European publishing business, accounting for 22.9 percent of sales in 2015. Book exports are significant for the publishing industries in France, Germany, Italy, the Netherlands, Spain and the United Kingdom, but all trade publishing industries in Europe are actively buying and selling translation rights. Governments occasionally support translations who see making domestic authors accessible to readers abroad not only as a form of export support but also as a form of soft diplomacy. Books can be great ambassadors, encourage understanding or support tourism. Examples are the impact of Elizabeth Gilbert's book *Eat, Pray, Love*,⁶⁶ or the tourism boom that Iceland has experienced, largely thanks to its efforts to promote literature.⁶⁷

Box 3.1 Case study 3: Iceland, a country immersed in books

When Icelandic author Halldór Laxness received the Nobel Prize for Literature in 1955, he said,

“I am thinking, too, of that community of 150 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.”⁶⁸

Iceland is not only steeped in tradition; in many ways it is a world leader in promoting literacy, reading and book culture. Its current literacy rate of more than 99 percent is a result of targeted policies dating back to the eighteenth century. Iceland was settled by Norwegian immigrants

during the late ninth and tenth centuries CE, and its famous sagas tell the stories of early settlers, while the Edda (an Old Norse term referring to two medieval Icelandic literary works) describe myths and fairy tales. Stories are often linked to rock formations, waterfalls and other landmarks all over the country. Their retelling, a pastime during the long Nordic winter, is a cornerstone of the Icelandic culture.⁶⁹

Reading, writing and publishing remain important parts of Icelandic society. There are 34 bookshops, including four online booksellers, serving Iceland's 330,000 inhabitants. Some 40 professional publishing houses have for many years published around 1,000 titles per year. Average print runs for fiction titles approach 1,000 copies, and best-sellers can sell up to 20,000 copies – an extraordinary number given the nation's size. According to a 2013 study, 50 percent of Iceland's residents read at least eight books over the course of the year, and 93 percent read at least one book.⁷⁰

The Government of Iceland 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, and authors, publishers and literary event organizers can apply for support for Icelandic authors traveling abroad to promote their work. In addition, the Center supports the publication of Icelandic works of literature as well as the advancement of literary culture in Iceland.⁷¹

To promote Icelandic writing, the government agency Rannís manages the Artists' Salary Fund, which provides 550 monthly salaries to individual fiction writers every year. More than 70 authors will receive salaries for between 3 and 12 months while writing their books. There is a similar, separate fund for nonfiction authors.

A great success for Icelandic literature was the country's invitation as the guest of honor at the Frankfurt Book Fair in 2011.⁷² This event was the catalyst for hundreds of translations of Icelandic literature, most frequently crime fiction, into other languages. In 2011, the United Nations Educational, Scientific and Cultural Organization (UNESCO) awarded Reykjavík the title "City of Literature." Digital consumption of Icelandic books remains surprisingly slow.

Only about 1 percent of Icelandic books are sold as e-books. This may be due to the fact that Icelandic readers frequently buy English-language e-books, and the small digital market makes Icelandic e-books far more expensive than their English-language equivalents.

Iceland is also not immune to economic crises, to changes in reading behavior or to changes in political resolve. For example, the VAT rate was increased to 11 percent in 2015, which is one of the highest VAT rates for books in Europe. Between 2008 and 2015, bookselling turnover in Iceland reportedly declined by 23 percent, with only 885 books 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. There is an old Icelandic expression, “Ég er með bók í maganum” (“I have a book in my belly”), meaning “I have a book in me, waiting to be born.”

Key Asian markets

With publishing markets being 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 grows sufficiently, publishing markets develop, governments invest in educational content and literate, educated consumers want to buy books – mostly for self-improvement at first, but soon for entertainment and leisure reading as well.

The Chinese publishing market

Books and reading have a long and powerful tradition in China. Around 60 percent of all Chinese adults read a book in 2019. There are 538 formally licensed publishers in China that collaborated with countless independent so-called cultural studios to publish 470,000 titles in 2015. From 2015 to 2019 the revenue of the Chinese book publishing industry grew from USD 11.8 billion (CNY 82 billion) to USD 14.3 billion (CNY 99 billion).⁷³ Offline sales are distributed through more than 180,000 outlets. Around 60 percent of books are sold through online channels.

E-books in China

The number of Chinese internet users was reported to have reached 688 million by December 2015, or 50.3 percent of China's total population. The vast majority (620 million people) use mobile phones to access the internet, and the proportion of mobile phone users increased from 85.8 percent in 2014, to 90.1 percent in 2015. Reading habits in China have also changed to accommodate digital devices. More than half of computer-using adults read books on digital devices, and more than three-quarters of them use mobile phones.

The Chinese book industry's e-book revenues grew from RMB 4.9 billion (USD 750 million) in 2015 to RMB 5.6 billion (USD 810 million) in 2019, with an average annual increase of 4.7 percent. Revenues from e-book sales in 2017 accounted for 28 percent of the total trade publishing (an equivalent of more than USD 31 billion), which ranks China first among the 11 countries recorded in WIPO data.⁷⁴ The international e-book reader giants entered 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 internet users develop online literature, with some users becoming professional (at times wealthy) authors in the process. In 2019, 455 million Chinese read such books on their mobile phones.⁷⁵ For example, at the end of 2020, the largest online literature platform of China Reading Limited, had 9 million registered authors and 13.9 million registered literary works.⁷⁶ Since 2017, the company has expanded internationally and offers more than 100,000 works from 60,000 authors to readers in more than 200 countries.⁷⁷

Growth of traditional e-books was slow because of fear of piracy, resulting in difficulties in 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 have contributed positively to digital development.

Republic of Korea

With annual sales worth USD 5 billion,⁷⁸ the Republic of Korea is one of the 10 largest publishing market in the world.⁷⁹ Reportedly, around 5.3 percent of South Koreans' household spending was on education (compared to, for example, 2.2 percent in the United States and 0.9 percent in Germany), which explains why educational publishers account for more than 65 percent of the industry revenue. The Republic of Korea has a mature publishing market that successfully trades internationally in translation rights, especially for children's books and "manga" comic books. Despite a very developed digital infrastructure, digital publishing in the Republic of Korea is in its infancy. Currently, e-books account for just 4.65 percent of the overall market. As only 30 to 40 percent of the 100 bestsellers are available in e-book format, only about 15 percent of readers read e-books.⁸⁰

Japan

Japan's book publishing industry recorded book sales of around USD 5.85 billion (JPY 742 billion) in 2015,⁸¹ 40 percent less than the market achieved at its peak in 1996. The decline may have many underlying causes: an aging population, fewer students in education or the enthusiastic embrace of smartphone games.⁸² However, there are signs of a slow recovery. In 2017, trade publishing alone stood at around USD 8.4 billion, based on WIPO data and definitions.⁸³

The strong sales of e-books in Japan, with a share of nearly 25 percent of the trade sector,⁸⁴ has been overshadowed by the way gaming dominates the smartphone entertainment market. This share was estimated to be worth around USD 19.2 billion in 2018,⁸⁵ larger than that of the United States. In 2017, sales of digital formats of "Mangas," a specific style of comic books originating from Japan, reached USD 1.6 billion, and has overtaken the sales of printed copies.⁸⁶

Emerging markets

Wherever there are large populations, there is the potential for a large publishing market. Although economists used to speak of the BRIC countries as a single phenomenon, these countries' economic development has differed widely.

India

India's publishing market is highly complex and difficult to gauge. Although only 12 percent of its population speaks English, as the second most populous nation in the world it has the second-largest English-speaking population. With more than 260 million students in primary and secondary schools, the publishing market for this sector alone has been projected to grow from USD 3.3 billion (INR 222 billion) in 2014 to USD 7.7 billion (INR 542 billion) by 2019. There are more than 5,000 publishers that serve this market, and there is also considerable government publishing activity in the education arena. More than 3,000 publishers serve the needs of the higher education system. The trade publishing sector is far smaller, with fewer than 1,000 publishing houses that account for only 6 percent of the Indian publishing market.

India has more than 560 million internet users.⁸⁷ E-books are still in the early stages of development, and the most frequently used digital reading device is still the personal computer. However, publishers in India are investing heavily in e-books, with more than 70 percent now having digitized some of their content.⁸⁸

Brazil

In 2019, Brazil's publishing market was worth USD 1.40 billion (BRL 5.7 billion);⁸⁹ growing more than 10 percent over the previous year.⁹⁰ The Government of Brazil is the single largest purchaser of publications in the world, mainly through its textbook⁹¹ and school library⁹² purchasing programs. Changes in government spending on books therefore hits the sector particularly hard.

In 2019, 12.7 percent of books were sold online, having dramatically increased from 3.7 percent in 2018. The digital market, including e-books, audio and other online products, has grown 130 percent over the past three years, but with sales of USD 26 million (BRL 103 million) in 2019, it is in its infancy with a market share of only 4 percent.⁹³

Russian Federation

The Russian Federation's publishing industry has been hit particularly hard by the country's economic and political challenges. Already in sharp decline after the economic crisis in 2008, the loss of the Russian-language market in Ukraine has also affected many of the ca. 5,800 publishers,⁹⁴ most of whom are based in Moscow or Saint Petersburg. The market was estimated to be around USD 1 billion in 2019.⁹⁵ Educational publishing is only 18.8 percent. Self-published books are valued at around 5.4 percent of the market. Around 20 percent of books are sold through online channels, most notably through Russian online books shops, such as Labirint, Book 24 or LitRes. Around 70 percent are sold through the more than 5,000 bookshops, and through the post office and kiosks.

One reason for the decline in publishing is the increased popularity of e-books. According to a 2013 survey, more than 70 percent of readers in the Russian Federation read e-books, but 92 percent of readers reported getting e-books from the internet “for free.”⁹⁶ In 2019, e-books comprised 6.4 percent of the market and the audiobook segment was growing rapidly. Two flat-fee subscription libraries, Bookmate and Mybook, have also become successfully established.⁹⁷

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 focused on printed books was the Frankfurt Fair, which dominated the

international book trade from ca. 1488 until the eighteenth century. Relaunched in 1949, the Frankfurt Book Fair remains the largest book fair in the world and is the most important business event for international publishers. Publishers buy and sell translation rights; meet agents, distributors and printers; and promote their publications. Few other book fairs focus as strongly on international rights as the Frankfurt Book Fair. Other book fairs are, however, 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 toward 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 management organizations, for example, the US Copyright Clearance Center,⁹⁸ are also offering such services.

Still, publishing – particularly international licensing of translations – relies heavily on trust and, therefore, on the establishment and management of personal relationships. Virtual fairs have not been able to replicate international book fairs. In 2020, when COVID-19 made travel impossible, all international books fairs became virtual events. Many publishers held quasi book fairs themselves by holding online meetings with their rights trading partners. It remains to be seen whether physical book fairs will regain their pivotal role, or whether they will need to evolve further in the light of the newly acquired habits of international online meetings.⁹⁹

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Chapter 4

What drives digital migration in publishing?

The death of the printed book has been foretold since as early as 1835,¹ and the frequency of such predictions has increased with the advent of computers, tablets and smartphones. Those who conflate publishers with printers assume that publishing will completely disappear in the near future. Publishers that continue to focus on print publishing are seen as backward and heading for extinction, and even those 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. Although the writing, editorial and production processes are quickly becoming digitized 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 market share of print publications has been remarkably stable in many sectors. One indicator of 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 physical bookshops and there are signs that independent bookstores are recovering. So how can authors, publishers and policymakers estimate when and how digital migration will occur in the different industry sectors in their own countries? What is holding digital publishing back, and what will support the move toward digital publishing? At what point should authors and publishers invest in digital publishing?

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.

Socioeconomic drivers

Socioeconomic drivers are relatively easy to forecast. For publishing, important socioeconomic drivers include, for example, population size and growth, 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 contribute to an economic environment in which consumers may choose to purchase e-books and governments may invest in digital education technologies.

Cultural drivers

Cultural drivers are the most difficult to predict. They are the factors that reflect changes in human perceptions and behaviors. For traditional publishing, key factors include how much a society values books and reading, and how much authors are recognized and respected. Although almost all societies value reading for education and encourage children to read, cultures around the world vary widely with respect to the role books play in adult life and public discourse.

Some countries celebrate their authors, and recent book publications are part of the public discourse and media discussion. Drivers of digital migration include how popular digital reading devices are and how much time people spend reading on their smartphones as opposed to playing games or engaging in social media. Japan, for example, is a country with one of the highest levels of internet connectivity and smartphone penetration, but its e-book market has yet to fully develop. Dedicated e-readers are popular in Western markets, whereas consumers in markets such as Poland and the Russian Federation mostly use non-dedicated computers or mobile devices.²

Political drivers

Political drivers are aspects of public policy that affect the publishing industry. These include, for example, taxation (particularly reduced or zero VAT rates for books), fixed book price regulations, antitrust and competition law, as well as efforts to fight piracy. Moreover, innovation and technology policies may affect adoption and diffusion of new technologies and business models. Public policy also often influences the other drivers: government-directed literacy programs can promote both literacy and reading habits. Library subsidies help establish reading habits and support local authors and publishers. Public Lending Right regimes³ may also support authors. Public spending on education can focus on teachers, infrastructure or textbooks. Collective licensing mechanisms may provide authors and publishers with not only revenue but also 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 publishing market drivers in each publishing sector separately, and then to look at the specific drivers that influence the migration to digital publishing products.

Consumer choice: the ultimate driver

All of the aforementioned drivers affect individual consumers' choices, 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 versions. Upon closer inspection, there are many reasons why readers may choose either, or even both.

Ten reasons why readers choose to read books in digital format

1. E-books are (often) less expensive.

2. E-books can be read on a smartphone or tablet and therefore easily carried.
3. E-books are lighter in weight, and many can be stored on the same device.
4. E-books and other digital publications can be updated to provide the latest information.
5. The same device used to read e-books may allow the enjoyment of other media such as music, film and games.
6. E-books that readers feel embarrassed to read can be read discreetly, even in public.
7. Digital search, discovery and cross-reference features allow fast and precise navigation.
8. Multimedia elements in e-books can explain certain concepts better than static images and can allow e-books to be read or enjoyed while doing other activities.
9. E-books allow changes in font size and other adjustments to facilitate reading. This is of great importance to people with print disabilities.
10. Links to reference works, Wikipedia and other resources facilitate understanding of complex content or reading in a foreign language.

Ten reasons why readers choose to read books in print format

1. A well-designed printed book is also an enjoyable tactile experience.
2. Leisure reading is an opportunity to go offline.
3. Parents want children to spend less time with digital devices.
4. Printed books are easy to handle and robust, and they do not need electricity or internet connectivity.
5. Making annotations/highlights is easier in printed books.
6. Learning is more effective with printed books.⁴
7. Printed books make great gifts, and they look visually appealing on a bookshelf or coffee table.
8. Browsing in a physical bookshop is an enjoyable experience, as well as being a convenient way to discover new books.
9. Digital devices are distracting.
10. It is easier to lend and share printed books than e-books.

As demonstrated by these two lists, paper still carries some significant advantages compared with digital formats. The balance of the argument in favor of purchasing a paper or digital publication will vary depending on the type of work, the genre, the purpose for which it will be 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 proportion of people who value the benefits of a particular physical carrier, such as vinyl records for music, is far smaller. In fact, some research appears to indicate that, rather than cannibalizing demand, digitization increases print sales and helps the discovery of less popular works.⁵

It is therefore necessary to approach the digital migration in publishing with an understanding that the aspects which influence the demand in particular markets, or even for a particular genre or book, will need to be explored individually, and not with too broad a focus.

A key paradigm shift for publishers: getting closer to their readers

This new choice readers have between printed books and e-books also creates a paradigm shift for publishers. In the past, publishers were merely required to make their content available in the limited formats and through the few distribution channels available. Books were available in hardback or paperback, and could be found in bookshops and libraries. In the digital environment, publishers need to observe where and how users are reading their content. Actively making e-books available on legal services provides insights into reader behavior and preferences, which in turn allow legal websites to outcompete pirate sites on service and convenience.⁶

If consumers are reading on their smartphones during their commutes, books must be published in formats that are easily read on such devices. Moreover, the kinds of stories published may even change, as the mindset of commuters on their way to and from work may mean they prefer lighter, shorter reads. Equally, researchers need to discover the latest research articles in the quickly expanding corpus of international scientific publications.

Technology enables meta-studies (research on published research), which allows researchers to combine data from multiple studies and follow major trends in their fields. New search tools and data mining services are being developed by scholarly publishers that are aware of this change in behavior among the authors and readers of their journal articles. Educational publishers can develop digital learning technologies that look great and use the latest technology; however, long-term success will depend on teachers and students actually using these platforms because they solve a problem or provide a real benefit. Distance learning benefits greatly from digital educational publishing because it solves the problem of remote access, but classroom technologies will only succeed if there is a pedagogical payoff, even among teachers who are reluctant to change their teaching habits.

Drivers of the digital migration in trade publishing

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

- the availability of reading devices, including bespoke e-readers, mobile phones and tablets;
- the popularity of reading e-books on such devices rather than using them to play games or engage in social media;
- the existence of reliable and trustworthy online platforms;
- the availability of e-books at a price that readers consider fair;
- the availability of printed books in nearby shops as an easy alternative;
- the compatibility of devices and e-book formats available to readers.

The different levels of e-book penetration, even between countries with similar rates of internet connectivity, smartphone penetration and social media usage, is striking. France, Italy and the United

Kingdom have similarly strong publishing markets, but of these only the United Kingdom has a strong e-book market. This is where cultural factors and usage of e-book readers, which are at times influenced by publisher pricing policies, come into play. In markets where e-books are not sold at a considerable discount compared to print copies, consumers are not adopting their use.

At a national level, the absence of a trusted online e-book platform keeps readers and publishers from venturing into the digital market, at times in a vicious circle: no e-books means no readers, and no readers means no incentives for publishers to publish e-books. On the other hand, migrants often fuel the e-book market in their native languages. As more and more people work abroad and away from their native-language bookshops, an international market opportunity has developed for global online bookshops. For example, Amazon now sells books in more than 80 languages and includes titles in Igbo, Sami, Rajasthani and Khmer.

Drivers of the 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, government procurement policy is the most important driver: governments can steer, either deliberately or inadvertently, the development of a local educational publishing industry through the way they procure educational textbooks and digital learning materials.

One important socioeconomic driver of digital migration is the availability of information and communication technologies in schools. In OECD member countries, more than 90 percent of students have access to computers at school;⁷ however, on average only 72 percent of students report regular use. Although computer availability and internet connectivity is reduced at the global level, the overall direction is clear: computers and digital tools have become a part of education.

Although government policies drive the educational publishing business, the success of digital initiatives depends largely on cultural drivers, that is, those that reflect teacher and student perceptions and behavior; most importantly, the extent to which teachers are able and willing to incorporate digital tools into their teaching. Teachers are often skeptical of technology changes, and not necessarily for unfounded reasons; since the 1970s, schools have experimented with the latest technologies to improve educational outcomes. Televised lessons, early teaching computers, language laboratories, interactive whiteboards, digital simulations and so forth have all been tried in schools, and the original enthusiasm for each new technology, together with the exciting modern appearance and design of the latest gadget, has rarely met expectations in terms of improved educational outcomes. By the time empirical evidence has resulted in a more sober and differentiated evaluation of each new technology, an even newer technology has been developed and is being touted as the latest panacea.

Box 4.1 Case study 4: OECD study on computers and learning

In 2015, OECD researchers published a report entitled: “Students, Computers and Learning: Making the Connection.”⁸ This study analyzes the results of the 2012 global Programme for International Student Assessment (PISA) exams and reviews the correlations among the hundreds of data points that were gathered from the participating students, schools and educational authorities. In particular, it examines factors that appeared to correlate with higher PISA scores in reading and mathematics, and factors that appeared to have a negative effect on these scores. Given the large data set, it is possible to isolate individual effects across countries and correct for socioeconomic or other factors.

Although the use of information and communications technology (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 ICT can make to teaching and learning have yet to be fully realized and exploited.”

A 2017 study by the US National Bureau of Economic Research, which reviews the evidence of a positive impact of ICT on learning outcomes, sees evidence of positive effects in only a small number of learning software in mathematics, but recognizes that the short life cycle of specific products leaves little time for careful evaluation. It concludes: “In the end, it should not be about the most popular product or even necessarily the technology itself, but about the best way to help students of all ages and levels learn.”⁹

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 printed textbooks for learning: research conducted between 2010 and 2013¹⁰ with college students from Germany, India, Japan, Slovakia and the United States showed that between 77 percent (Japan) and 95 percent (Germany; note the difference in cultural drivers) of college students found it easiest to concentrate when reading printed material, and 87 percent said that if the cost were the same, they would prefer printed books for schoolwork. This corresponds with research which shows that student reading behavior and retention differ depending on whether students use digital media or read printed books.¹¹ Reading a printed book allows less distraction, enables easier annotation and, therefore, leads to better retention. Currently, these findings are at odds with many government policies seeking to further the use of digital learning technologies in primary and secondary education, but they demonstrate that simple market forces can be affected by human behavior and that different drivers toward digital development need to be considered. In other instances, however, government policies are increasingly targeting efforts at improving digital skills and digital literacy (computational thinking, etc.) in primary and secondary education, rather than the policies addressing general use of digital learning technologies.

Box 4.2 COVID-19 and digital tools in education

COVID-19 has forced most countries to abruptly close down classroom teaching. At its initial peak in mid-April 2020, the virus caused nationwide school closures in 190 countries, impacting 90 percent of total enrolled learners, or almost 1.6 billion people globally.¹²

Schools, teachers and publishers were prepared to a widely varying degree. The publishing industry reacted swiftly: around the world, educational publishers quickly made digital textbooks and platforms available for free.¹³ Online training providers such as Coursera and initiatives promoting open educational resources have also reacted.

In the first 12 months, the practical challenges of homeschooling for students, parents and teachers overshadowed the often novel experience of using online learning resources.

It remains to be seen to what extent this experience will promote and accelerate the adoption of digital resources in primary and secondary education.

The importance of teachers and the school as a place of joint learning has become apparent to all.

Digital educational publishing strategies

All major educational publishers in developed economies have invested in digital products and provide digital educational products. Offering fixed-layout digital versions of paper textbooks represented a relatively simple adjustment for these publishers, although publishers have subsequently adapted e-books so that they can be read on different digital platforms. Moving toward the EPUB 3 publishing format, publishers have invested more heavily in e-books and added structure, navigation, links, multimedia features, interactivity, tests and exercises. The e-textbook then 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.

Such publishers have effectively stopped selling books and started selling educational services. Some publishers have gone even further and have founded private kindergartens and schools. A new market of low-fee private schools has developed, which specifically targets low-income families in developing countries who seek to provide affordable quality education for their children.¹⁴

The migration from printed books to VLEs is not a linear and smooth process and it is not easy to predict at this stage the extent to which digital migration will happen, particularly in primary and secondary education.

Publishers' reaction to digital migration

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

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

While digital products require great investment in new skills and technologies, the fundamental challenge with digital migration in educational publishing is that the business model has not yet fully adjusted to the new product mix. In many countries, schools are

prepared to pay for printed textbooks, but the allocation of funds for digital products may be 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 for publishers, but little extra income when schools are unwilling to pay extra. Worse, in some cases the newly needed teaching and learning hardware may be funded using the same budget lines that pay for textbooks.

Still, a number of educational publishers have developed educational software, apps and VLEs and put them to the test.

Virtual learning environments, apps and MOOCs

While textbooks remain 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 offers publishers the opportunity to make further tests, exercises or teaching materials available. These can be licensed along with the book or sold separately, perhaps even to parents.

Unlike the use of digital tools in the classroom in primary and secondary education, online distance learning in tertiary education and professional and adult education is a success story. Online courses, digital repositories and open educational resources have removed access to educational content as a barrier to education for all those who have access to the internet, but who cannot attend classes or who need to study in their own time. This is also where publishers compete directly with new competitors: internet technology companies. These include major internet service providers and platforms (Google, Facebook, Microsoft, LinkedIn), technology providers (for example Apple), universities (for example, MIT Open Courseware) and internet-based startups, both for profit (such as Coursera) and not-for-profit (such as the Khan Academy).

Technology companies do not even use textbooks as their starting point. They may consider an online course to be the central learning resource and build their course around a website. Ultimately, both approaches can end up in a similar place: a VLE where 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 technology companies in the education market. While technology companies have the advantage of extensive resources, as well as technological and design know-how, they often lack an understanding of pedagogy and have difficulty adapting to local curriculum requirements. Many will support international education standards to be able to scale their products internationally. Massive open online courses (MOOCs) often offer large parts of their content for free and have found new ways of monetizing their customers: advertising, affiliate marketing, offering certificates of completion for a fee and brokering tutors. Selling information about their students to companies looking for more information on potential recruits is a contentious issue. All educational publishers must be aware of the sensitivity of personal information,¹⁵ not just in Europe, where the General Data Protection Regulation (GDPR) (EU) 2016/679 is setting very high standards, but around the world, as information about school performance is carefully guarded.¹⁶

Textbooks in tertiary education

Textbook publishing for tertiary education is an international market, as colleges and universities in different countries may require students to read the same textbooks as part of their courses. This has enabled the development of a global marketplace, with international publishers producing textbooks for college and university students around the world. Such a global market has its own challenges: while college students in the United States have typically been able and willing to spend USD 250 or more for individual textbooks, such prices are out of reach for typical students in most other countries. Publishers have developed a variety of strategies to combat parallel imports from lower-priced countries, and students themselves have developed strategies to avoid paying such high prices. These dynamics give the college textbook publishing market its own characteristics that are quite separate from the primary and secondary educational publishing market.

Many students consider college textbooks to be very expensive. Traditionally, frugal students have either bought secondhand 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 lower-priced editions. Alternatively, they have modified editions for developing countries, often by adding country-specific content and changing the organization of the book, much to the joy of the now better-served students in the developing country. The greatest opportunity for publishers has been the development of digital supplementary content: access to websites with supplementary resources can be sold with the printed book, and the license can easily be time limited, locked or geographically limited. Books that are sold secondhand or imported from other countries thus lose this additional feature after the original license to access supplementary material expires or when it is being accessed from a different country.

Drivers of digital migration in scholarly and professional publishing

The scholarly and professional publishing market is largely global, rather than national, and this lends itself to digital rather than print publishing, 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 this publishing sector has probably advanced the furthest in digital migration and is already a predominantly digital publishing environment. However, there are a variety of drivers that dramatically affect the development of the digital market in scholarly and professional publishing.

The main drivers are connected to changes in the research environment: the internationalization and growth of research and research outputs, the demand for faster dissemination of research, and instant access to the latest research publications play the most important roles from the reader's (i.e., the researcher's) perspective.

The key factor that determines growth in scholarly journal markets is the number of scholarly articles academics publish. As reported by the UK's 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 one-third, and the number of researchers continues to rise," rising from 5.7 million to 7.1 million between 2001 and 2007.¹⁷ Between 2009 and 2018, the number of published articles has grown on average by 10.5 percent per year.¹⁸ This has required the publishing industry to increase its capacity to offer space for these publications and has put pressure on the purchasers (usually academic libraries) to find funding to pay for this greater volume of publications. The result is pressure from both the authors (academics) and the customers (academic libraries), which have demanded digital delivery and lower costs for access.

The digital environment has made such publication space less scarce, as journals are no longer restricted as they were when the journals required printing; rather, the limiting factor for a market expansion is (currently) library budgets. The market for journals is not very price sensitive, as the vast majority of customers are university libraries. Price changes of important journals or databases, whether increases or decreases, have very little effect on subscription numbers.

Another important driver is the strong demand among researchers for fast publication speed and for more technically sophisticated delivery – increased linkage, multimedia delivery and greater facility for content reuse, including higher numbers of replication studies and more frequent publication of data underlying studies.

The third, and most discussed, driver for scholarly publishers comes from the policy side: open-access initiatives, which seek to ensure that research is made available for free for all researchers and for 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. This was a formal recommendation of the Commission of the European Union in 2012.¹⁹

There is also a more principled argument regarding the nature of scientific communication: science researchers require unconditional transparency, open scrutiny and universal equal access to the body of scientific knowledge, including published articles and the underlying data. Although some open-access initiatives are initiated by scientists, the library community or academic institutions, the most effective initiatives have come from governments or from organizations funding research, such as the open-access publication policies introduced by the Wellcome Trust²⁰ and the Bill & Melinda Gates Foundation.²¹ In 2018, these and other organizations started an initiative to coordinate their efforts called Plan S.²²

Making content free at the point of consumption requires a business model in which someone other than a buyer/subscriber pays. Publishers and policymakers are experimenting with a range of business models (refer to 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 that include some form of open access, either with an embargo (i.e., a period during which only subscribers have access) or with designated open-access repositories. Governments²³ or consortia²⁴ can also take out licenses for a large number of universities, or for all public libraries, or conclude other licensing deals. Publishers may change their business model by no longer charging subscription fees, but instead asking the researchers who have authored articles to pay for their publication. The latter creates its own set of problems: unless money is provided by a research grant, the funding requirement gives an advantage to those in academia who hold budgetary power. It also leads to unethical publishing practices, with predatory publishers setting up illegitimate but prestigious-sounding journals to lure unwitting researchers into publishing with them.²⁵

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

In 2009, only about two-thirds of scholarly publishers were publishing e-books in electronic formats,²⁶ and for them e-book revenues comprised less than 10 percent of total book sales. However, this figure has risen considerably since then due to increasing demand to accommodate the growth in content in a more cost-effective way that also allows greater international distribution.

Notes

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Chapter 5

The business of publishing in the digital environment

Publishing and the digital environment

The digital revolution is not just a change in technology, but a change in behavior and attitudes as well. Authors, publishers and policymakers must react to this rapidly changing and unpredictable environment. While they make their assessments about the speed and reach of the digital transformation in their sector and their audience, 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 the way books and other publications are produced, distributed, priced, promoted and consumed. However, the social and behavioral changes (i.e., the cultural drivers) are even more dramatic: they change consumer habits, attitudes toward reading, pricing expectations and how readers want to interact with authors, books, bookshops and other readers. The globalization of book publishing, as in many other industries, is both a result of new technology and of changing behaviors and attitudes.

The traditional publishing value chain

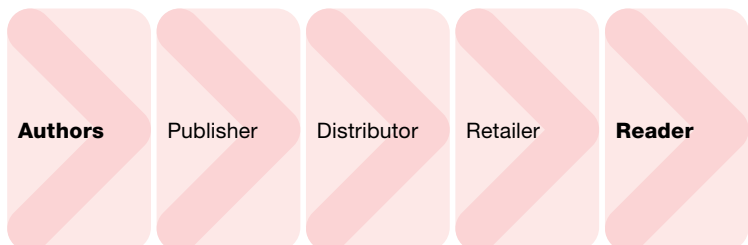
A value chain is a model that describes the sequence of connected commercial intermediaries that add value to a product before it reaches its consumer. The publishing industry value chain connects the content that authors and other rights holders create with the readers. The value chain looks very different for trade 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 outlines describe typical scenarios within which individual authors and publishers may have developed their own variations and alternatives.

Trade publishing

In trade publishing, the traditional value chain is simple: authors license their work to publishers, often supported by author agents who scout talented authors and specialize in licensing negotiations on their behalf. Publishers select works for publication and manage the book editing and production (including editing for consistency and readability, overall design, title design, formatting, printing and shipping). The printed books are then warehoused before they are distributed, typically using wholesalers and distributors. Sales, marketing and public relations (PR) efforts help to generate public awareness of and demand for the book, which is typically fulfilled through retailers. For fiction titles, the time that a book is actively promoted as part of the “front list” can be as short as 18 months or less; then it is kept on the “backlist” and, ultimately, rights revert to the author at the end of its commercial lifespan. The backlist is for most trade publishers a key income stream that provides steady income as the backlist grows.

There are clear bottlenecks in the traditional value chain, namely, points of scarcity, which are difficult for printed books to overcome. In print publishing, the traditional bottlenecks lie with the author getting published in the first place and the physical availability of the book (i.e., getting a book into bookshops where customers might find and purchase it). Large publishers have a distinct advantage here, whereas new market entrants would find it difficult to ensure that their books are being warehoused, distributed, put on shelves and actively promoted in bookshops.

Figure 5.1 Trade publishing value chain



Educational publishing

The educational publishing value chain may vary greatly depending on a country's public procurement policies. At the most extreme end, governmental bodies at national, regional or local level may author, print and publish school textbooks themselves; in this case, there is no commercial value chain at all. Commercial authors and publishers focus on the “afternoon market” of supplementary material for parents, which uses of the trade publishing value chain.

More frequently, governments put out individual textbooks to tender through an international competitive bidding process (ICB) and then give one contract to the successful bidder. This is then the only point of entry for competing publishers. Because of the large sums involved in such major tenders, this creates the temptation to corrupt and manipulate the small number of decision-makers.¹

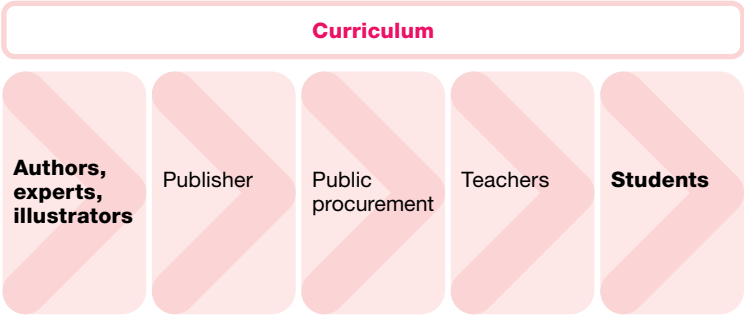
Such international tenders also hamper the development of local educational publishing. Only very financially stable publishing houses can maintain the high skill level that good educational publishing requires on the basis of very scarce tenders. They can also offer or adapt textbooks already developed for other countries. Seven out of 10 of the world's largest international publishers publish educational textbooks internationally.²

At the other end of the spectrum, governments may keep a distance from the textbook publishing business and manage the textbook provision by setting curricula and, perhaps, approve a multitude of books for classroom use. They rely on publishers to produce, sell, market and distribute their textbooks to local school authorities or individual schools, in competition with other publishers doing the same.

Most countries have textbook procurement policies that allow for some publishing industry competition. From a macroeconomic perspective, such competition might effectively lower book prices and save public procurement costs. Some national governments may insist that publishers deliver books in bulk to government warehouses, from which 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.

Figure 5.2 Educational publishing value chain



Scholarly publishing

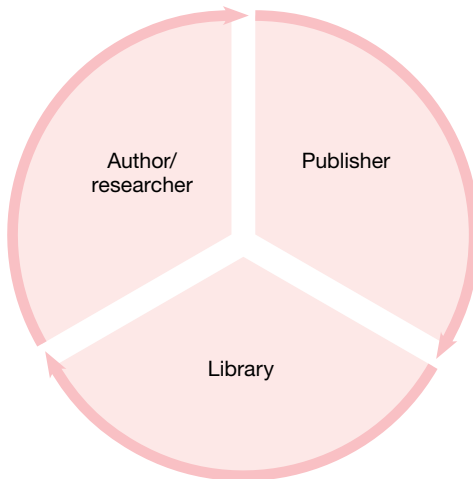
The academic publishing sector is largely focused on scientific journals and databases of scientific journals. The market for monographs (i.e., scientific books written by academics) has some similarities to trade publishing, and undergraduate textbook markets are in many ways closer to educational publishing for primary and secondary education. However, the core academic publishing market, the publication and provision of access to scholarly journals, is rather distinct.

The value chain is rather condensed: scientific researchers submit their findings in the form of journal articles to the publishers of the most suitable and prestigious journals. The articles follow a highly formalized structure, style and format. As publication is an integral part of the research process, this is paid for by the institutions they work for. Articles are then reviewed by experts in the field, who provide this service to the publishers and the scientific community

as part of their academic work. If an article is selected, at times with suggestions for material changes from the reviewers, it undergoes an editorial and production process by the publishers primarily to ensure it is fully interconnected with the existing body of journal articles and can therefore easily be found. It is then published and thus becomes a formal part of the published body of scientific publications. Submission and publication date play a role in determining who was the first to make a new discovery or connection. The article can then be found by the next researcher as they search the existing body of published works for articles related to their area of expertise to build on this body of knowledge and author articles that contain further advancements.³

The publishers sell their access to their journals either directly to libraries or to library consortia. One notable difference between scholarly and trade publishing is that in scholarly publishing, the final purchaser is not usually the consumer: the majority of sales are to libraries representing their institutions, who have their own dedicated budgets. Their readers, the researchers and students, rarely order and pay for these publications themselves. Still, from a publisher perspective, the most important persons in the value chain are the authors, who decide where to publish their most significant work. Much effort is directed at attracting the best work of the most recognized researchers. Yet another difference from trade publishing is that the quality of the research submitted to journals is assessed in peer review processes (i.e., researchers from the scientific community themselves contribute to and judge the value of the work before its publication). The fact that authors and reviewers are not compensated for their work, as this is part of their work as researchers, is often raised when criticizing profits made by commercial publishers. Publishers often share this revenue with learned societies, for whom they publish the journals. Still, the added value that publishers bring is often misunderstood. It is not just the publication process itself; it also includes managing the brand value of a journal. In the perception of all stakeholders, publishing in the most prestigious journals is a high accolade and creates financial and career opportunities for its authors.

Figure 5.3 Scholarly publishing value chain



Publishing value chains on the internet

Publishers first sought to replicate their traditional value chain on the internet. However, there are fundamental differences between the analogue and digital publishing environment. At its most basic level, digital technology enables direct communication and content delivery between all persons who are connected to the internet. This can happen through dedicated applications or through websites.

Given the low cost and readily available technical expertise, the barriers to establishing a presence online are very low. Many of the barriers to entry for authors that hinder the commercial availability of their works in the print environment disappear on the internet. Equally, all other publishing stakeholders with traditionally distinct functions in the value chain also have the opportunity to expand their own services into the same areas as their previous commercial partners. For example, it is technically easy for libraries to become publishers of PhD theses,⁴ or for online retailers to become publishers.⁵

Although in theory lowering barriers to entry should allow for unlimited competition, network effects (i.e., where the value of a service increases as the number of participants grows) have led to new dominant intermediaries that can create important market distortions. Online readers might only purchase from a single e-book platform because, for example, registration on another platform is time-consuming, or they enjoy reading through a proprietary app or digital reading hardware. Some content may also be exclusive to certain platforms. This often creates the opposite outcome: dominant stakeholders in the value chain. A discussion about the economic and social impacts of the internet economy cannot overlook the dominant position of a small number of stakeholders. This is not limited to publishing or creative industries: Google, Facebook, Twitter, Uber, Airbnb and Netflix are all examples of companies that hold dominant positions in specific markets. For authors and publishers, a concern can be the dominance of a single online bookshop in individual markets – for example, Amazon's dominance in the sale of both print and e-books in North America⁶ and most of Western Europe.⁷ In other countries local online booksellers or internet retailers hold a similarly strong position or effectively compete with (and may outsell) Amazon. This includes, for example, Dangdang and JD in China,⁸ Flipkart in India⁹ or Ozon in Russia.¹⁰ Self-publishing platforms have also allowed authors for the first time to distribute their works without involving publishers as gatekeepers (see the section later in this chapter on disintermediation and re-intermediation).

Despite the fact that publishing is becoming increasingly global, it is worth noting that the business models discussed here are not developing uniformly around the world, but that there are geographical and sectoral differences. Still, apart from facilitating the traditional value chain, the internet has enabled three different types of new 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 – piracy. The remainder of this chapter will look at the first three types of business models and explore their impact.

The traditional value chain goes digital

The traditional trade 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/download them. There are, however, various ways in which the traditional value chain differs on the internet.

Publishing costs in the digital environment

Trade publishers have very similar costs for the creation of the first copy of a work regardless of whether it is published in print or digitally. These include costs for editing, layout, design and other production components. There will be subsequent savings where a printed book is not produced. However, royalties paid to authors for e-books tend to be higher than those paid for print books. While in the print environment royalties of 8 to 15 percent would not be unusual, e-book royalties may often be closer to 25 percent, with some authors' organizations campaigning for up to 50 percent.¹¹ Given the attractive fees that self-publishing services offer, authors also have much greater flexibility in negotiating higher royalties. Where publishers achieve overall savings, this creates greater flexibility in pricing strategies. The prices set by publishers for e-books may be higher or lower than for printed books¹² and different publishers may pursue different strategies.¹³

In educational and scholarly publishing, and for some trade publishers, digital publishing requires significant extra investment. Creating a digital edition may require additional technical skills and investment (as discussed in the section on metadata), the publisher may need to develop sophisticated repositories of its content with search and discovery tools (e.g., scholarly publishing databases), and there may be additional complexity in delivering the content to intermediaries such as libraries. On the other hand, investment in digital publishing may allow publishers to benefit by further improving and experimenting with their services based on the data they collect from users.

Educational publishers are also expected to make substantial investments to develop supplementary online content – for example, adding interactive content such as exercises, videos and supplementary material for teachers. This requires considerable additional resources and technical abilities.

Additionally, online bookshops must develop their internet presence, and these costs have a very different structure than those for traditional bookshops. Although there may be far higher infrastructure (overhead) costs, there may be savings elsewhere: for example, while bricks-and-mortar retailers in the United States employ on average 47 employees for every USD 10 million of revenue, Amazon employs only 14.¹⁴

How the added value of different intermediaries changes

The value that different intermediaries contribute changes in a digital environment. While some authors and readers may still value the production of printed copies (for example, glossy art or cookbooks or carefully crafted hardback editions), in other areas the requirement for print has diminished or disappeared, making this service neither required nor valued.

The emergence of the e-book means that publishers are no longer the gatekeepers to bookshops, libraries are no longer the only place to find information and bookshops are no longer the most convenient places to buy books. This change, for example, meant that publishers that used to publish PhD dissertations for a fee were among the first to be threatened by the internet because most university libraries will make dissertations available online for free and may no longer need a physical copy. At first glance, digital distribution looks very easy; however, there are new skills that increase the value of this service. These include:

- access controls (to ensure that only the intended recipient receives the publication)
- formatting (to ensure that the format supplied to consumers or purchasers is compliant with their systems – e.g., providing a Kindle version, an EPUB, a pdf, etc.)

- version controls (to ensure that the correct version is supplied)
- online payment systems (with refunding mechanisms)
- metadata (to enable cataloguing, discovery and indexing systems).

Metadata

Metadata is data about data. In the case of books, metadata includes bibliographic 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 a print book this would mean describing its size or features, whereas for an e-book this would include the file format or accessibility options and features. Metadata will often include identifiers for works, editions, authors, publishers or other contributors. It may also include information about rights and current rights holders for different rights and territories.

The importance of publishing metadata has grown dramatically with the internet, and not only in relation to e-books. The traditional print commercial distribution network has only become efficient and reliable since bibliographic catalogues and databases have included standardized metadata (most importantly the International Standard Book Number [ISBN]) and further data that made it possible to discover works based on a range of criteria.

On the internet, metadata is even more important. Websites have extremely small “shop windows” – screen space – where books can be presented. Even that small screen space is customized so that customers only see books that are selected to match their tastes, or that publishers have paid the site to promote. Search and discovery require a user to key in search data, which is matched to metadata held in bibliographic databases.

Managing metadata is not only important, it is one of the key ways that publishers add value to authors' works – and it can directly increase sales. It requires an understanding of different

intermediaries' metadata requirements, attention to detail, and experience. Publishers lose sales if they provide erroneous spellings of a book's title or author, which is still a surprisingly common problem. Users may frequently misspell a name or there are different ways to spell the name of an author. For example, there are more than 100 different ways publications around the world spell the name of the former Libyan leader and prolific author Moammar Gaddafi when transposing it from Arabic script to the Roman alphabet.¹⁵ Metadata and unique person identifiers ensure that different spellings entered into search fields lead to the right author and book. Similarly, categorizing a book under the wrong subject or not providing popular, relevant keywords related to the book's subject may mean lost sales. Identifiers can also prevent the misordering of older editions, and e-book metadata ensures that customers order books in the correct format, as there are more than 30 popular digital e-book formats.

Traditionally, publishers have focused their attention on industry metadata at national ISBN agencies:¹⁶ all publishers are familiar with obtaining ISBNs and managing the associated data.¹⁷ Other identifiers are now also becoming increasingly important: the digital object identifier (DOI) "provides a technical and social infrastructure for the registration and use of persistent interoperable identifiers"¹⁸ for all kinds of content. The International Standard Text Code (ISTC)¹⁹ 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)²⁰ identifies contributors to creative works and those active in their distribution. Three international bodies responsible for developing publishing standards are particularly important for the development of digital publishing standards: the World Wide Web Consortium (W3C), in particular the Publishing Business Group; the EPUB 3 Community Group,²¹ which develops and manage important digital formats; and EDItEUR,²² an international publishing industry consortium that provides standards for the physical and digital book distribution chains.

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

In the digital environment, it is not only important to obtain the required identifiers for each work and record the corresponding metadata but also necessary to communicate such information in standardized ways. The ONIX for Books Product Information Message format²³ is the international standard for representing and communicating book industry product information in electronic format. Understanding how to create such records and keeping up to date with the latest versions are important to publishing success in the digital environment.

Disintermediation and re-intermediation

Almost all service providers in the traditional value chain have considered the internet an opportunity to extend their services at the expense of other members of the value chain.

Early on, some publishers expanded into self-publishing by providing discrete publishing services to authors for a fee. This allows publishers to monetize manuscripts on which they themselves are not prepared to take an economic risk. Penguin Random House, for example, bought the self-publishing company Author Solutions in 2012, but ended this experiment in 2015. Most important self-publishing services are now independent or linked with online booksellers or reading platforms.

Some online retailers have bought or set up their own commercial publishing houses, hoping to replace publishers completely. Amazon started its own publishing business in 2009 and now owns a series of imprints, including Montlake Romance for romance novels and Thomas & Mercer for mystery novels. This strategy of vertical integration is similar to that found in other business sectors, such as luxury goods, where the brand owner may control production, distribution and retail outlets.

Amazon, Apple, Kobo and other online retailers have also launched self-publishing services. This means that rather than paying authors royalties, they charge would-be authors a fee for editorial and production services and for including their books in the online

bookshop. Typically, these programs are managed separately from the traditional publishing imprints.

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

Even libraries are now competing with other members of the value chain. Academic dissertations are now often published by university libraries, and publishers are no longer involved. Libraries are naturally seeking to expand their services into the lending of e-books online, where these services may compete with publishers' own services. Publishers and libraries are experimenting with a range of business models.²⁴ In some countries, libraries now pay substantial royalties to publishers for e-lending or even for enabling the sale of e-books through their digital library lending platforms, effectively creating a new online retail channel. In scholarly publishing, there is a growing trend of university libraries publishing online research journals for their own academic staff, sometimes complementing – but at times competing with – publisher-owned journals.²⁵

Author self-publishing

The most extreme disruption of the traditional value chain takes place when authors control it in its entirety. Authors can edit and produce their own books and sell them to customers directly through their own dedicated websites. Depending on their own expertise, authors may choose to employ specialist service providers to edit and design their books, handle the technology related to digital supply, PR and marketing, and manage fulfillment and payment services. They could also simply create their own publishing houses, not unlike the music labels that many bands and musicians have created to manage their copyright. The advantage of this business model for authors is the complete control they have over their books and how they are marketed and sold. Moreover, there is economic evidence that authors can negotiate larger advance payments from publishers since self-publishing of works has become a respectable option.²⁶ They also receive unfiltered feedback from their readers and can nurture this relationship and adjust their future writing in

accordance with reader expectations, if they so choose. However, this choice comes with its own challenges: authors must either develop the skills to learn about digital production, metadata and rights management, editing, distribution, sales, marketing and PR or they must invest money to employ others and then spend time managing their own hired team. All this is time they will not be able to spend writing. This is therefore a more feasible option for already well-known authors, authors who are sufficiently wealthy to invest resources into developing these channels or authors who are able and willing to develop the necessary technical expertise and spend time not just writing, but also managing their publishing business.

Box 5.1 Case study 5: J.K. Rowling

A famous example is J.K. Rowling, who never granted the digital rights for the Harry Potter book series to any of her print or audio publishers. Instead, she launched her own website, Pottermore, in 2012. Its successor, wizardingworld.com, offers far more than just a shop where consumers could buy Harry Potter books. It features additional writing from J.K. Rowling, provides background on the 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 of all communications related to any related events. The shop originally offered print and e-book versions of the Harry Potter books, as well as audiobooks in English, German and Japanese. In a change of strategy, the e-book formats have become available through many e-book retail channels.

Box 5.2 Case study 6: Romance writers in the United States

In 2013, romance novels earned approximately USD 1.08 billion in sales in the United States. This accounted for about 34 percent of adult fiction, with 39 percent of romance novels purchased as e-books.²⁷

Romance novel buyers are typically female (82 percent), and 29.5 percent of romance readers primarily read e-books, with 23 percent reading their e-books on more than one device. Typical romance readers are between 30 and 54 years old, read and purchase new books regularly and discuss the books they are reading 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 is particularly popular among romance writers, which makes the genre's sales and market share particularly difficult to track. The innovative sales-monitoring service Author Earnings estimates that 89 percent of romance unit sales are digital, and that more than half are self-published. An estimated 74 percent of digital unit sales are made through Amazon; 11 percent are made through Apple; and Google Play, Kobo and Nook together account for 10 percent. Of the 30,000 romance authors who sell Kindle editions, roughly 780 authors annually earn more than USD 50,000 and 1,825 earn between USD 10,000 and USD 25,000. Among the top earners, 15 authors earn more than USD 1 million per year, 10 of whom are self-published.²⁸ In 2019, more than a thousand self-publishing authors, many of them romance writers, earned more than USD 50,000 per year on the Amazon Kindle platform alone.²⁹

As the US magazine *Publishing Perspectives* put it in 2020: “If there’s a category in which self-publishing can claim to have walked away with the goods, it’s in low-priced romance e-books, consumed by enviably loyal readers often at a rate of several titles per week.”³⁰

In educational publishing, teachers, social platforms, governments, libraries, foundations and crowdsourcing initiatives have all published textbooks, tests and supplementary materials for schools. These initiatives have always competed with commercial publishers. It is difficult to maintain a high level of quality over time. Where there is no commercial competition, “just good enough” will persist before the resources are gathered again to revise the existing “free” textbook. This can lead to a two-tier education system, where public schools use “free” textbooks and open resources, and private schools use the latest high-quality textbooks.

There is relatively little self-publishing in the scholarly publishing sector. There are a few instances of individual researcher-authors starting their own journals (e.g., the journal *Discrete Analysis*, launched in 2015³¹). Few monographs have been self-published by the authors. Preprint repositories also play an important role in some areas, such as in 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's findings.³²

User-generated and peer-produced content

Online 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 is some social media, or quasi-social media, which competes with traditional publishing or offers an alternative business model.

“Wikis” are websites that allow users to modify their content directly within their web browser. The most well-known 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, and the self-policing community of contributors maintains editorial, political and ethical standards.

Although Wikipedia is not equally strong in all languages and regions, it competes directly with publishers of reference works, challenging them to publish reference works that are either as comprehensive or as up to date as Wikipedia. Conversely, Wikipedia's strengths are also its weaknesses: the open curation and anonymity of its editors and authors reduce its credibility as a quotable reference; its credibility depends on the sources it in turn refers to. Additionally, because Wikipedia is an all-purpose reference tool, there is space for specialized reference sources. As demonstrated by *Encyclopædia Britannica*, reference works aimed at specific audiences – such as academics, children, students, specific professions, people with a specific cultural or political

perspective, and other groups with more targeted needs – may still find a commercially viable market (see also Box 2.1).

Wikis have also been used to generate educational content. The Netherlands, for example, has created “Wikiwijs,”³³ an 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. A number of initiatives have sprung up to share free textbooks in secondary and tertiary education.³⁴

Much hope is being placed in open educational resources in the developing world. This is being promoted by several non-governmental organizations (NGOs) and development agencies. While some hoped that this would replace traditional textbooks, in practice such collections have provided a further source for supplementary teaching material. These collectively created materials have always been part of individual teachers’ teaching tool kits. They naturally lack a cohesive pedagogical approach, they allow teachers to teach in their own preferred style, while still using textbooks as the core of their courses. Because of its unregulated creation process, its suitability for classroom use is judged only by the selecting teacher. It may therefore be out of date, factually biased (if it has been created by third parties) or not vetted for classroom use in terms of language difficulty, style or adherence to the national curriculum. Vetted or approved textbooks support a specific national curriculum and are part of a larger learning curve in which new content is built on previously learned elements, repetition of older content is subtly included and an overall pedagogical approach ensures long-term success. It is difficult to replicate such overarching and deep editorial and pedagogical thinking in modular learning units where those who seek to improve content may not understand why it contains certain elements. In practice, such websites are also at risk of being influenced by free content provided by political, religious or commercial organizations, and often some high-quality content is copied from publishers. Ultimately, the question of how to incentivize some to provide the function of a publisher, whether this be a commercial publisher or another entity that provides them services, needs to be answered by taking local circumstances into account.³⁵ Scientists are also using their own social networks to exchange

research findings. It remains to be seen what role websites (such as ResearchGate and Academia.edu) or bibliographic platforms (such as Mendeley and Zotero) will play in scholarly communication.³⁶

Pricing and new business models

Consumers expect e-books to be less expensive than printed books because of the obvious savings in not having to print, warehouse and distribute physical books. In markets where publishers and retailers set prices, such as the United States and United Kingdom, e-book prices can differ wildly from the print books. In countries with fixed book price regulations, the price difference will often reflect differences in VAT between e-books and printed books.³⁷

One important difference in the digital world concerns the contractual implications of selling versus licensing. With printed books, customers purchase a physical copy that becomes their own property (to resell, lend, destroy, etc.). However, digital books are usually licensed to the customer rather than sold to them. This has many implications and is discussed elsewhere in this publication (see Chapter 6, in particular), but strictly in terms of pricing this allows for a wide variety of licensing and pricing models.

Publishers are looking for alternative ways to license works at reduced prices as a form of enabling additional price tiers. They may sell licenses for single chapters of books or for a specific time period. Digital textbooks, for example, may be licensed for only one or two years. In scholarly and tertiary educational publishing, there are shorter “rental” periods of one day or a few weeks. Some publishers are following the “Netflix” pricing model; that is, they charge a regular, ongoing payment for access to a large e-book library. This is also a way to generate additional revenue from currently less popular backlist titles.

Experimental pricing models

There are many experiments in pricing, particularly in the educational, academic and scholarly publishing environment. Some examples of these experimental pricing models are discussed below.

- **“Bundling” content.** Large publishers sell licenses to specific collections (e.g., a “health” list), each of which comprises a range of journals and books. This provides cheaper per-item access to the customer while simultaneously providing a simpler transaction for the publisher (one sale rather than hundreds).
- **Patron-driven acquisition** (also called demand-driven acquisition). The purchase of e-books by academic libraries is largely speculative unless a book is one of the stipulated course books. Therefore, a model has been developed whereby the library pays a relatively small amount of money for access to a publisher’s entire list (or collection). This provides a fixed number of opportunities to access the work (usually around six) for each publication. Once library patrons access a publication for the seventh time, the library will be charged the full price of the publication; in this way, libraries only pay full price for the books that their patrons are actually using.³⁸
- **Limited loans.** In the trade library market, some publishers are selling licenses for books, but with a limited loan stipulation. For example, in 2015 Penguin Random House announced that it was selling its books to public libraries on the condition that they could only be loaned 36 times; after this point, the library would need to renew its license. This was to account for the limited lifespan of a printed book, which was estimated to be about a year (or roughly 36 loans).³⁹
- **Prepayment for articles.** In the scholarly publishing sector, some publishers offer advance payment for articles. This means that an academic library prepays for access but is only charged for the articles that its patrons actually access.⁴⁰
- **Online membership.** Some websites offer a membership that charges a monthly fee and then allows each user one “free” publication per month as part of this membership. Users are also able to purchase additional books and are invited to take advantage of special offers that allow them to purchase more at a discounted price. One example is the audiobook service

Audible.⁴¹ This service is not a publisher, but effectively an online bookshop working with the publishers' permission to offer such deals to its members.

E-lending

Library lending of e-books provides a particular challenge, as libraries see e-book lending as part of their public service, whereas publishers see a plausible risk that the lending of e-books by libraries 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.

The following is an incomplete but indicative list of strategies that publishers have employed to address this concern:⁴²

- delaying e-lending of front-list 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 of loans before the full book price is charged again
- charging libraries a fixed – or, in other cases, individually set – lending fee per use
- requiring libraries to charge a fixed – or, in other cases, individually set – licensing fee to each reader
- lending books through commercial libraries, such as Amazon Prime's Kindle Owners' Lending Library.

For public, not-for-profit libraries the above solutions raise considerable concerns and challenge many principles that they hold dear. In the paper world, libraries were free to purchase any published book they chose, at any time. They were able to allow readers to copy under copyright exceptions, and they were able to archive and store books in accordance with their collection policies. Libraries would therefore like to establish in law a right to lend, that is the right to license and/or purchase any commercially available e-book without embargo, to serve the public interest in access to books.⁴³ It is not clear what the limits of such a new lending right

should be, nor how it would relate to the commercial services that provide such rental services, which are now part of the “normal exploitation” of a published work.

There are a number of practical issues to consider. Libraries often use digital intermediaries to provide e-lending services; how these third-party digital databases can be integrated into library collections and how the role of libraries can be preserved in the digital environment, or whether it should change, are open policy questions. This remains an area of 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 at small scales. 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 books at the prices that the publishers set. In the alternative model, the retailers are free to set their own prices, provided they pay the rights holder the agreed fee per copy sold. Retailers typically prefer the latter 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 ability to set prices, as they see no benefit in different retailers entering a price war over their books. This has led to some court cases with retailers accusing publishers of colluding to enforce the agency model.⁴⁴

The online environment also provides an extra opportunity for customization and differential pricing (i.e., charging a different price to different customers). Customers can be charged different prices depending on their size (for example, universities of different sizes may be charged different subscription fees), their location or their type (e.g., not-for-profit organizations could receive discounted prices). Price differentiation without product differentiation creates the risk of circumvention (such as in the case of parallel imports) or

of unhappy customers, who may feel they are unfairly paying more than others for the same product. Some publishers differentiate their products through enhancements to ensure that customers who are willing to pay more are presented with an attractive value proposition that merits the higher expense. “Freemium” pricing models are one such example: you do not have to pay to read the first chapter, but you must buy the book if you want to read it fully. Some readers will pay extra for additional features, which can include supplementary learning material or mock tests for textbooks, specially illustrated books or audio recordings performed by prominent actors.

One disadvantage of the online environment is the strength of some of the larger players. Amazon is preeminent in Western Europe and the United States as the online bookseller of both print and digital books. Because of its strength (similar to the position of major bricks-and-mortar bookshop chains), Amazon was able to demand that publishers license or sell their books to it at a price that was equal to or lower than that offered to other e-book retailers. However, the Börsenverein des Deutschen Buchhandels (the German book trade association) challenged this 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 agreed that Amazon’s requirements violated EU antitrust rules that “prohibit abuses of a dominant market position and restrictive business practices.” In January 2017, it ruled that Amazon had to cease this practice.⁴⁵ In general, dominant positions are less likely to emerge when online users “multihome” (i.e., search on and purchase from various distribution platforms).

Writers sharing their content for free

There are a number of ways aspiring and successful writers can share their writing. Blogs, fan-fiction websites, dedicated websites for authors of particular genres, and such like provide opportunities for writers to allow others to read their writing. While most will do this as a hobby, others will use these tools either directly or indirectly to earn income. Among bloggers, advertising income is the most commonly used income stream, which develops gradually as their blogs become more popular. Others will ask readers to subscribe

to parts of their content, or they may sell their books directly to customers. All of these free publications also allow for indirect compensation; interesting writing may attract publishers, and it can also showcase the skills of freelance writers who are ready to take on commissioned work. In addition, blogs showcase expertise, which may then be sought in the form of keynote presentations, training or consultancy work. At times, the lines blur among 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 genre for self-published and traditionally published authors.

Although there is anecdotal evidence that writing open-access content can generate substantial income streams for individual authors in other media, these examples might be outliers. A look at the advertising income that the internet generates makes clear that this will be a lucrative income stream for a select few, not for a large number of middle-income writers. With the majority of an estimated global USD 160 billion⁴⁶ advertising spend in 2016 going to Google and Facebook, there remains little to share among the countless other intermediaries, let alone the individuals who provide content on the internet.

Sponsored content

There have always been publications that were made freely available to readers. These include government-published content, educational content and content created by research funders and philanthropic organizations, which are all seeking the broadest possible dissemination. Aid organizations, religious organizations and other NGOs have published school textbooks, and governments publish laws, government-generated data and public service information. In many developing and least-developed countries, the majority of content is published through such channels. These publications are frequently created by employees or agencies, although those organizations that are more cost conscious (and make transparent calculations about the actual cost of internal resources) often choose to outsource publishing operations to commercial partners.

From a publishing industry perspective, publications funded by governments, philanthropic actors or foreign aid represent a business model where a single entity pays for the publication up front. The internet has facilitated such publishing. It has seemingly addressed the availability and distribution issues that often come with content that is not primarily driven by economically viable demand. The need for external service providers is reduced because the key purpose is to make information available, and high production, presentation and curation values are less important.

This kind of publishing has been important in educational publishing. A number of governments, such as Greece, ask the publishers who are given the tender to produce primary and secondary textbooks to make these books available online, free to download for all users. Paying only a flat fee up front, with no prospect of ongoing royalty payments, makes publishing in this environment challenging. If publishers cannot rely on regular, predictable income streams, they cannot invest in necessary skills development. Single book tenders typically lead to publications that are priced as low as possible, with the content just good enough to meet the tender's demand. Commercial educational publishers who have not won the tender then turn to the afternoon market and invest in books designed to be used at home.

Free content may also have some drawbacks from a public policy perspective. If consumers do not pay, someone else must step in, and that entity then has a considerable influence on what will be published. This is true for academic management or donors deciding which journal articles to fund, for philanthropic (and often value-driven) organizations paying for content that supports their values and for governments paying for books they assume to be most appropriate, even if users would choose differently 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."⁴⁷

Crowdfunding books

Crowdfunding is a business model in which entrepreneurs or individuals planning to create a specific product or project invite the

public to pledge, then pay toward its development or finalization. In exchange for their contributions, funders may receive a specific reward. Crowdsourcing projects typically include computer games or bringing technology ideas or designs to market. Board games, music albums, films or other creative endeavors also lend themselves to crowdfunding, in particular where a large and/or loyal fan base can be activated. Crowdfunding also has a long history.⁴⁸ In book publishing, for centuries, subscribers have been asked to make pledges toward books and journals that were not yet published.

Securing funding through crowdfunding has a number of advantages. The financial risk is covered up front, demand for the product can be determined before publication, and crowdfunding serves as a form of marketing and PR. Since the mid-2000s, dedicated crowdfunding services such as Kickstarter and Indiegogo have emerged, as well as sites specializing in crowdfunding books, such as Pub Slush or Unbound.

On Kickstarter, for example, about one-third of the more than 224,000 proposed projects succeed in finding pledges for their funding targets. More than 60 percent of book publishing projects will request between USD 1,000 and USD 9,999, and pledges are about USD 80 on average. As of August 2016, more than 1.2 billion backers had pledged more than USD 100 million for 9,660 successfully crowdfunded books.⁴⁹ Projects include a 400th anniversary illustrated republishing of *Don Quixote* and the publication of recently discovered poetry by Pablo Neruda. Children's books are particularly popular crowdfunding projects.

The most recent new business model for creators is paid-for newsletters written by individual journalists, which are managed by platforms such as Substack. Here journalists and columnists are seeking to directly monetize that some readers are interested in their particular voice.

The success of a book crowdfunding campaign will depend on whether such journalists, book authors and publishers are able to direct a large number of existing fans, customers or friends to contribute via the crowdfunding website. The sites themselves rarely generate interest in a specific project; this means time and effort

must be dedicated to PR and marketing the crowdfunding campaign, effectively preloading the investment into aspects of bookselling that would normally happen after the book's launch. An inspiring, well-narrated story in a carefully crafted explanatory video may help, as well as rewards that give funders a sense that they are receiving something valuable in return. The skill and effort that is required to develop a successful crowdfunding campaign should not be underestimated; books that are successfully crowdfunded may also be noticed and picked up by commercial publishers.

Crowdfunding scholarly monographs?

A recent initiative⁵⁰ has highlighted the potential of a special kind of crowdfunding for scholarly monographs. Publishers approach libraries and ask them to fund the publication of a specific monograph in advance, at a steeply discounted price compared with that of a conventional monograph. If enough libraries commit, the publisher produces the monograph and publishes it under an open-access license.

This crowdfunding model has a particular benefit for all sides: publishers have reduced publication risk and a positive cash flow; authors are motivated to promote their book project (after all, if not enough libraries subscribe, the book will not be published); and libraries benefit by paying less. Authors and libraries are also content with the fact that the book is published under an open-access license.

Subscription and temporary licensing

Subscription-based models mean that consumers have access to a large body of content in exchange for regular payments. Once payment has stopped, then all access to the content typically ends. Consumers know this business model from music streaming services, such as Spotify, SoundCloud and Google Play Music, and from Netflix and Hulu for audiovisual works. Subscriptions have always been part of journal and magazine publishing and,

to date, the subscription model is the prevailing pricing model for journal publishing, even though open-access business models are gradually growing.

A number of companies are establishing e-book subscription models. Scribd, Bookmate and Amazon's Kindle Unlimited each offer access to thousands of e-books in exchange for a monthly fee. Before offering their e-books through such services, authors and publishers should consider whether this will enhance or cannibalize their sales through other channels. Major publishers will be happiest to monetize backlist titles that are not otherwise being actively marketed, but they are likely to be reluctant to include their most recent launches, as these can be sold with higher returns through other channels. Data from Author Earnings show that self-publishing romance authors who have published a number of titles tend to put some into Kindle Unlimited and leave others out, indicating that library subscription models are a secondary way to monetize books when individual sales no longer pay off.⁵¹

Open-access and “free” content

One of the most groundbreaking changes in the internet economy has been the advent of free information and the consumer expectation that digital content should be available to them at no cost at the point of consumption. From a public policy perspective, the free and open availability of cultural, educational and scientific information is an important goal. However, this conflicts with other equally important objectives; most importantly, the incentive to create and make available high-quality content (i.e., content that has required considerable investment to come into being).

This has created a rather complicated situation. Consumers are reading more books than ever, watching more films than ever and reading more news and magazine articles online, but they are paying less for this content. This is a cultural and behavioral issue: consumers appear willing to pay for the hardware and internet services they need to access digital content; it is much harder to convince them to pay for the content itself.

Early on in the digital revolution, the music and film industries were confronted with a digital marketplace where unauthorized sharing was rampant. Music and video streaming services have substantially changed this framework. While there is still unauthorized sharing and the appropriate share for creators and their commercial partners remain in dispute, there are now substantial revenue streams coming from widely accepted legal markets for music⁵² and video⁵³ consumption.

Advertising-supported publishing

The internet has largely adopted the advertising model to support free content. This model enables search engines, social media, video hosts, cloud storage and other internet services to offer their services for free to consumers in exchange for consumers' acceptance of the presence of advertisements on these platforms. The advertising model is a business model that requires very large audiences so that very small earnings from advertisers can add up to cover the costs of the service. This model lends itself to large-scale technical services such as content-hosting sites; it does not lend itself to the creation of content that typically targets smaller audiences, such as most trade books, or of content that is expensive to produce. It does have its (limited) place in journal and newsletter publishing, and in blogging.

Hybrid business models: managing analogue and digital businesses together

The internet is changing the way the world learns, communicates and is entertained at an unprecedented speed and in a way no publisher can ignore.

As of 2019, 57 percent of the world's households have an internet connection.⁵⁴ Over half of the world's population uses the internet. At the end of 2019, 95 percent of the global population lived in areas with mobile network coverage and 75 percent had a subscription; 51 percent use their mobile phones to access internet-based services.⁵⁵

The internet is a single channel to all manner of different 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.”⁵⁶

However, the printed book remains part of this modern world. Although the publishing industry embraces digital technology in all aspects of its value chain, using digital technology for the creation, production, sale and marketing of books, it appears that the printed book, solely as an output of a digital publishing process, will remain in some sectors. For many readers, the joy of reading cannot be fully separated from the pleasure of holding a book and for many students, physical textbooks facilitate learning and understanding.

This is why the majority of books are sold in printed format: many people prefer buying books in bookshops, and parents read brightly illustrated printed books to their children as an alternative to ever-present digital entertainment.

Therefore, most publishers must – at least for the foreseeable future – manage a hybrid economy in which books will be published in both print and digital formats; in which books can be bought through both online and bricks-and-mortar retailers; and in which authors and publishers must manage both physical and digital business environments.

In many ways, this is particularly difficult. Slow digital migration puts pressure on independent bookstores. New skills in digital sales and distribution need to be learned while the old skill set for the physical market remains important. This is more of an opportunity for all stakeholders than it is a threat; it means the industry is in a phase of gradual adjustment, not of revolutionary change. Authors, publishers

and other stakeholders have time to adjust. There is time to learn new skills and build capacity, but at the same time, there should be no complacency. In an industry with low margins, all business sectors and income streams matter.

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Managing rights in the digital environment

Copyright and the internet

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, whether an email or an e-book, is segmented into data packets that are, in a series of more or less ephemerally stored multiple copies, relayed from the originator's server through the network of routers to a destination server, where the contents of all the packets are unpacked and reassembled.¹ This information is presented to the user on their computer through whatever browser, app or program they have chosen.

All internet operations involve the reproduction and communication of digital copies of information, whether the content is data, messages, literary works, illustrations, software programs, databases, audio recordings, performances or audiovisual performances. Where such operations involve copyright-protected works, copyright law comes into play.

In the analogue world, when consumers bought a physical book, what a buyer could do with that work was largely understood. On the internet, a digital copy must be accompanied by information about its authorized uses. Relationships between those who send or make available copyright-protected works and those who receive them are governed by licenses: agreements that describe what acts restricted by copyright law a recipient is authorized to do by the other party. Most websites have made these licensing terms and conditions explicit, as have all social media providers in their rarely read user agreements. Where these licenses are not explicit, there may still be implicit licenses (i.e., assumptions recipients can reasonably make about what they should be authorized to do). Ultimately, national copyright laws will set limits to the rights of authors in their works, once a copy has reached a reader.

Copyright law is national law; therefore, authors and publishers must always refer to their national laws regarding 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. This means that users 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 unbeknownst to the user. Licensing partners may therefore find that there are different opinions regarding which national copyright laws apply to specific actions or which national copyright law governs 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 have been agreed between parties in different countries, parties often have the ability to choose the applicable law or jurisdiction, which can achieve clarity on the laws that govern the agreement. Where no express agreements have been made, national laws (and, ultimately, the courts) will decide which national copyright law applies.

Even though copyright law is national, the laws are informed by international treaties that provide minimum standards of protection to the rights holders 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 (the Berne Convention) and the WIPO Copyright Treaty (WCT) apply unequivocally to literary and artistic works that were created in the digital environment and that are reproduced digitally or made available in digital formats. Still, these treaties are contracts under international public law that bind national governments. Their effect on national copyright laws depends on how each country chooses to transpose such treaty obligations, and on how courts interpret the laws that transpose these obligations.

Many WIPO treaties have wording that is clearly understood to describe very specific common intellectual property (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.

Why authors and publishers must understand copyright and licensing

Traditionally, copyright expertise was only required by publishers when they acquired rights from authors and when they licensed rights from or to other publishers. When printed books were sold to consumers, there was no further legal relationship between the publisher and buyer. This, in consequence,² has led to the “first sale doctrine”: the right of the buyer of a physical object such as a printed book, in which a copyrighted work is printed, to resell or transfer the object itself. This principle is the basis for the secondhand book business.

In the digital environment, it is not intuitively clear to many consumers what they are permitted to do with their e-book. Both national copyright law and the explicit or implicit licenses that accompany every digital file determine the uses consumers may make. Both consumers and publishers now need to know in detail what they may do, and what is considered fair may be disputed.

Some have argued that licensees of e-books and other digital content should also have the right to “resell” their digital copies, even if the license agreement does not allow them to do so. Some important court cases in some jurisdictions have confirmed that business software can, under certain circumstances, be sold on.³

For reselling of e-books⁴ and music files⁵ courts in the EU and United States have been more conservative: in principle, this resale right does not exist for e-books, much to the disappointment of readers, libraries and some innovative intermediaries, who would like to resell no longer wanted e-books.⁶ In the digital environment, each digital copy comes with a license, a contractual relationship that binds the reader with their contractual partner and that governs the ongoing relationship until the copyright expires. Typically, these licenses do not allow the license to be passed on to another party. In copyright

infringement cases, these licensing terms, often imposed by the rights holder, are themselves coming under increasing scrutiny.⁷

Beyond the contract itself, a prerequisite for selling or licensing, is ownership of the relevant rights. Prudence should govern assumptions of rights transfer, particularly for older author/publisher agreements. For example, many readers “bought” e-book copies of George Orwell’s *Animal Farm* and *1984* from Amazon; however, in 2009, Amazon’s rights to sell the Kindle e-book editions of these books were challenged. It appeared that the uploading publisher did not have the relevant rights, and Amazon found itself unable to license these two works to its Kindle customers who had previously bought and downloaded them in good faith. Amazon was forced to respond to the challenge of their right to license the works; the e-books that readers thought they had bought suddenly disappeared from their readers (with a full refund). The legal reason for this was that there must be a licensing chain from the author, through the publisher and through the e-book seller, to the Kindle user. If that chain is broken, then the reader’s license is made with someone who does not hold the necessary rights. E-books must then be removed from users’ e-readers at the behest of the real rights holder.⁸

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 become much more knowledgeable about copyright and intellectual property. They must fully understand the extent to which they license works to intermediaries or to their readers. Looking at their own authors, illustrators or other contributors, publishers must understand, document and manage the rights they themselves have in the works they license from authors, graphic artists and other collaborators, and how they can license them onward to consumers.

Relevant digital rights

WIPO’s first publication addressing copyright and book publishing, *Managing Intellectual Property in the Book Publishing Industry*,⁹ is relevant for all basic licensing matters. A brief summary of the tenets of global copyright will highlight the special aspects of digital rights.

According to the Berne Convention, authors do not need to follow any formalities to obtain copyright once they have created a work, whether in paper or digital format; copyright is inherent in the creation of the work and a persistent digital manifestation of the work is sufficient. However, there are practical benefits to registering copyright where there is a formal national registry. Registration creates a formal record of the date of registration and the identity of the registrant. Registration, such as WIPO Proof,¹⁰ is a way to create a time-stamped deposit record and used to prove authorship should this later be disputed.

From the moment of creation, the author (or, in countries where there is the possibility of work for hire, possibly the employer) immediately solely owns the right to authorize any of the so-called restricted acts with respect to their work: reproduction, publication, distribution, translation, adaptation, performance, broadcasting, communication to the public and making it available to the public.

The above terms may not always find their way verbatim into licensing agreements. Commercially, these rights are divided and expressed differently. In terms of publishing a printed book, publishers may acquire rights for physical reproduction in a specific and understood format (hardback, paperback, serialization, etc.) and distribution. Even licenses that only authorize the sale of printed copies will, implicitly or explicitly, 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 (in specific digital book formats or in multimedia formats) and communication to the public. Licenses may allow adaptation to suit a particular medium, 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 in time.

The digital environment has created new ways in which a literary work can be used and therefore new ways in which it can be licensed. Works can be included in digital libraries with or without financial compensation. Licenses can be granted for non-commercial

purposes only. They can be adapted for use in software applications 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 – and 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.

New digital copyright challenges

Copyright law and licensing terms must adjust as the technology and the business models of the publishing industry change. This section highlights five areas in which the digital environment has created new challenges: the author–publisher relationship, the separate licensing of digital and print rights, the increase of global rights requests, the particular challenges of self-publishing and the copyright implication of artificial intelligence technologies.

Digital rights and the author–publisher relationship

The author–publisher relationship is at the heart of publishing. The WIPO publication *Managing Intellectual Property in the Book Publishing Industry* is pertinent for all fundamental aspects of author–publisher agreements. It has always been sound advice to have written records of all such agreements. In the digital environment, these agreements need to be actively managed to benefit from the increasing number of licensing opportunities. They therefore need to be entered into a digital rights management system, ideally using standardized rights language that allows for licensing to be automated.

Author–publisher contracts have always been a point of contention between the author and publisher communities; the digital environment has fueled these conflicts and added new elements for disagreement. All major publishing houses have standard contracts, and there are several models that are being promoted by authors¹¹

and publishers' organizations,¹² occasionally jointly.¹³ While these model agreements provide the legal framework and language (which should always be adapted to national laws and individual circumstances), they leave key negotiating points open that require particular attention from those who are involved in digital publishing. The stronger their bargaining power, the more an author (or a publisher) can shape the contract.

Typically, authors are in a weaker bargaining position than the publisher and must, at least initially, accept the publishing terms presented to them. In 2019, an EU Directive¹⁴ required all member states to implement a number of provisions designed to protect authors and performers. These include a right to “appropriate and proportionate” remuneration, transparency, rights reversion in case of nonexploitation. Similar, though less far-reaching provisions can also be found in Annex VII of the Bangui Agreement of the African Intellectual Property Organization (OAPI),¹⁵ which the signatories undertake to implement.

Nevertheless, authors and publishers are best served in the long term if their agreements are both clear and deemed fair by all 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 what rights are being granted is clearly understood by all parties, as this may be an area of confusion and potential conflict. For example, the e-book, audiobook or other digital versions could be a full-text version, an abridged version or an enhanced version with additional materials that may, or may not, be created by the same author. Different “audio” rights are affected if a work is being recorded, adapted for a dramatic performance or enhanced with audio for people with a print disability.

Most aspects of the author–publisher agreement are discussed in WIPO's *Managing Intellectual Property in the Book Publishing Industry*.¹⁶ The digital environment requires that particular attention be paid to the following elements of any publishing agreement:

- a clear and unambiguous description of the rights licensed in a given work (including the publication formats that a publisher is licensed to produce, the language and the licensed territories)

- whether the agreement is exclusive or non-exclusive
- the duration of the agreement and the reversion of rights to the author
- the royalty rates, reporting and payment schedules, including advances.

Licensing paper and digital rights

Historically, an author would license their work to a publisher and that publisher would publish and market the book throughout its life cycle in a given territory. With the advent of specialist publishers (for example, exclusively paperback and audio publishers), the opportunity has arisen to license different commercial formats directly to different publishers.

There are many digital formats used in the publishing process. Authors may write a digital file in a word-processing format, it may then be converted into a format used in production and published in different e-book formats, which may vary from platform to platform.

Copies of works in these different publication formats may then be licensed for different uses: individual sale, inclusion in digital collections, lending, streaming and so forth. They can be licensed together with the paper format, they can be licensed separately, or they can be withheld. Increasingly, the “volume rights” (the main contract between the author and publisher, which traditionally includes all formats in which the original work is published in its entirety without further adaptation) now spell out one or more e-book rights. It is essential that authors and publishers reach the utmost clarity on the extent of the digital rights granted. While detailed format and use enumerations, catch-all clauses or specific exclusions may achieve the desired certainty, this is a point where all parties must understand the copyright laws in their country in detail.

Most major publishers would want to acquire the right to publish the e-book format together with the printed format. For mass-market titles, publishers will want to reap the rewards of their sales and marketing efforts for both digital- and print-format sales. Where

there is a hardcover market, publishers will perhaps want to delay the e-book publishing date so that the premium book format does not compete with the (in many countries much cheaper) e-book format. The exact release strategy for e-books is a business decision that may be different in different markets.

Authors are concerned about rights being licensed that are then not being commercialized. They do not want to license e-book rights if the publisher does not move forward and actually publish the book in digital format. This should be a point of negotiation. Belgium, France, Germany, Hungary and Sweden have a legal obligation for publishers to exploit the licensed rights.¹⁷ Copyright laws in more than 100 countries have some other form of rights reversion clause.¹⁸ Ultimately, a shared understanding of the publishing strategy and schedule can avoid legal strife in any jurisdiction.

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 that have strong publishing houses in several countries may have also acquired rights for those other countries.

It may also still be convenient to authorize the first publisher to license international translations of a work, rather than doing 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.

Although publishing has always been an international industry, there has been a territorial focus in the educational and trade markets. However, the digital environment means that a single publisher, even if it is small, can now serve a global audience. There is therefore a move toward requiring global rights in all sectors.¹⁹

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

Agreements for self-publishing authors

Never before has it been so easy for an author to publish their books. Still, the income disparity remains between the most successful authors, such as J.K. Rowling and James Patterson,²⁰ and the average author, who continues to struggle to make a living, according to authors organizations, for example, in New Zealand,²¹ the United Kingdom²² and the United States.²³ There are some signs that licensing savvy authors can benefit from a stronger bargaining position, now that self-publishing is a viable route to market.²⁴ A recent WIPO report indicates greater earning potential.²⁵

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

- Authors should identify whether the contract is exclusive, or whether it allows the same book to also be published through other intermediaries.
- Authors should identify whether their book will only be sold, or whether it can also be lent, for example, in Amazon's Kindle Owners' Lending Library. Royalty rates may also vary considerably depending on the options an author chooses.

- The abilities to adjust pricing or bundling or withdraw books altogether become key elements of the freedom that self-publishing gives to authors.
- As always, authors should pay special attention to the rights reversion clauses: how quickly can a book be withdrawn from the program if the author wishes to offer it through a different service?

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 choice based on a business model, not necessarily a legal determination. The fact that content can be accessed freely or expressly without charge does not mean it can be freely reused. Publishers must be careful to distinguish between works that are not, or are no longer, protected by copyright law (but beware of moral rights, as the right to paternity and integrity may continue) and copyright-protected works that have been licensed with very broad public licenses.

Publishers who republish historical literature whose copyright has expired may not need to worry about obtaining licenses unless they are using modern translations. Publishing or republishing national laws, economic data or patent records is frequently permitted without taking out an individual license, but the mechanisms through which the applicable national laws allow these works to be published may vary. For example, this could include exceptions to or limitations on restricted acts under copyright law or an open license. Republishing content found “for free” on the internet follows the same principles: content from websites, short videos, blog entries, memes, Facebook and Twitter messages, and shared photographs cannot be copied or republished without authorization. Most major social networks 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 rights holder.

Finding the correct rights holder 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, and authors' or publishers' collective management organizations or national libraries also often hold information that can help identify or locate rights holders. This issue is particularly important in the case of libraries and archives that wish to digitize their collections and make them accessible. The number of rights holders to be contacted for authorization may be so large that it is prohibitive. A number of countries, including, for example, Canada²⁶ and the United Kingdom,²⁷ have now enacted national laws that allow for some forms of reuse of orphan works and the EU has issued a directive to address this issue.²⁸ Most such laws require a diligent search for the rights holder and impose certain conditions on the republisher or the purpose of reuse before a license may be granted.

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, as well as whether their business policies and strategies allow them to license these and at what price. Automated licensing mechanisms are now beginning to develop in which 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.

A good starting point to determine what and how rights can be recorded is ONIX for Licensing Terms (OLT),²⁹ a developing family of ONIX messaging standards. OLT formats are specialized according to the needs of different user groups and applications.

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 these terms can be input into and interpreted by an electronic resource management system. This solves the problem that libraries have in managing different licensing terms from different publishers.

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

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

Blockchain and digital rights management

Blockchain is a recently developed type of software that creates a digital decentralized and distributed ledger in which data, once entered, cannot be altered retroactively. 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. Everyone can check the record, but, unlike centralized databases, no one central organization has the authority or power to modify the data. Bitcoin, and other internet currencies, uses blockchain technology. Some industries use blockchain to timestamp documents, track assets, safeguard software against tampering and secure digital infrastructure. Some predict that this technology will revolutionize data management, as it allows decentralized transactions and data management.³⁰

Can this technology impact publishing? There has been some experimentation in the music industry, where the rights management for composers, lyricists, performers and publishers is often very complicated. There are three advantages of blockchain technology that make it equally attractive for the publishing industry. First, it

allows tracking of rights ownership in a digital file back to the original creator or creators. This could, in theory, facilitate proof of rights ownership or authorization. Second, it can make payments more efficient by integrating blockchain technology and machine-readable licenses into payment systems. Third, it can make collective licensing more competitive and therefore more efficient by enabling alternative licensing platforms.

Blockchain technology is not without critics.³¹ One, perhaps temporary, concern is whether the technology can scale to the number of licensed uses of music files on the internet. Small transactions can require enormous data processing and storage. More importantly, the lack of a central authority may also ultimately mean a lack of responsibility and accountability. There are also legal concerns: 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 determines that one or more transactions embedded into the chain was unlawful? Finally, the trust in the claims of people involved in a transaction chain is now replaced by a trust in the specific blockchain mechanism. These concerns are equally valid for the publishing industry. Still, in other industry sectors, such as finance, logistics and accounting, blockchain technologies are poised to replace the laborious paperwork that currently underpins many transactions.

Collective licensing

Collective management organizations (CMOs) administer collective licenses on behalf of a large number of rights holders. The first CMO was created by dramatic authors, composers and lyricists in France in 1829.³² CMOs soon established themselves for theatrical performances, then for music. The advent of mass photocopying necessitated the creation of author and publisher collecting societies, called RROs. Today, the International Federation of Reproduction Rights Organisations (IFRRO) includes 106 RRO members, and in 2019, they collected nearly EUR 1 billion (USD 1.178 billion).³³ The revenue varies from country to country, but in many countries RRO payments are an important part of author and publisher income, particularly for educational publishers, as

collective licensing is particularly strong in this sector.³⁴ RROs are typically governed equally by authors and publishers, and the rules for distributing revenue, although these differ widely between countries, often require that RRO revenues are shared between authors and publishers.

Although RROs primarily deal with the administration of collective licenses, they also serve other important purposes, such as bringing authors and publishers together around the shared issue of strengthening copyright and collective management, which improves dialogue between authors and publishers. RROs are also important stakeholder organizations in national copyright debates and they often support the development of other parts of the publishing industry infrastructure. They develop identifiers and standards, help authors and publishers lobby for improved copyright protection and develop ongoing relationships with the library community, another important stakeholder in the publishing industry.

The expansion of collective licenses to include digital uses has been a complicated process. While in the print environment there is consensus that photocopying can only be licensed through collective licenses, consensus in the digital environment has been slow to develop. Publishers initially sought to license all digital uses, even minor ones, directly; this was because the distribution rules for the sharing of collecting society revenues appeared less advantageous to publishers than the royalty agreements they could negotiate with individual authors. Publishers also felt they could react more quickly and flexibly to changing licensee needs.

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 models require voluntary mandates from authors and publishers, have been able to develop successful new licensing products that address specific user concerns.³⁵

At the same time, RROs as a whole have come under review. Changes to copyright law in Canada that have broadened copyright exceptions have brought fierce debate and international attention.

Court cases in Belgium (that also involved the European Court of Justice)³⁶ and Germany³⁷ have called into question the role of publishers in collecting societies. The EU has introduced new directives that influence the operations and governance of collective rights management organizations.³⁸

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 rights holders through local RROs.

Notes

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Piracy in the digital environment

Piracy, copyright's equivalent to theft, is not a new problem for the publishing industry; it is as old as publishing itself. Publishers have always had to deal with printers overriding print runs or with popular books being unlawfully imported or reprinted by third parties. This continues to be a problem in many developing countries.¹

The internet has made this issue grow globally and return to the industrialized countries. It has changed the reach, scale and potential impact of piracy by orders of magnitude. It is safe to say that every successful e-book will be pirated and that 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 rights holders hesitate to enter the digital market. However, availability of content through legal services also influences the level of piracy one will observe in creative industries.²

A few figures may illustrate the size of the problem. Since the 1980s, digital piracy increased with 300 billion visits annually to illegal websites. The unauthorized downloading of e-books ranges from 21 percent of all e-book readers in Germany to 92 percent of the e-readers in Russia and China. A study quantified the commercial value of music digital piracy in 2015 at USD 29 billion worldwide and estimated that it could grow to USD 53 billion to 117 billion in 2022. In Spain, a report commissioned by the creative industries showed that 60 percent of internet users accessed illegal content up to 11 times a month in 2019, with an estimated lost profit of EUR 2,437 million (USD 2,873 million). In the United States, publishers claim to lose USD 300 million to e-book piracy.³ Infringing sites constitute a parallel economy that makes hundreds of millions of euros from advertising while maintaining profit margins ranging between 86 percent and 93 percent. Research financed by Google has found that between 6 percent and 21 percent of persons surveyed in 13

different countries had admitted to engaging in acts of piracy in the previous year.⁴

These figures are likely to be even higher for audiobooks, which are just as affected by streaming, the most recent dissemination technology, as music and video.

If more precise data were available, it is likely that a differentiated image would emerge: there are countries with sufficiently stable digital markets to suggest that at least a large percentage of the publishing market is lawful, whereas 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: does an orderly market, supporting a sustainable publishing environment that generates employment, taxation and, most importantly, books, exist?

There are creative industries that survive in an environment where only a small percentage of consumers are paying: street musicians, who play for free and rely on voluntary payments, occasionally with remarkable success;⁵ and the Indian film industry, “Bollywood,” even though pirates make more money than the film industry itself.⁶ Clearly, the economies of scale work in this film industry’s favor, given the enormous size of the Indian market. This model applies similarly to “Nollywood,” Bollywood’s Nigerian equivalent. It is, however, sobering to pause and consider what amazing creative and economic engines these film industries could be if they were able to develop a more conventional and balanced business model.

Some authors and publishers, too, have embraced piracy. They see piracy and the free availability of their books online as a marketing tool for promoting sales of their printed versions. Best-selling author Paulo Coelho posts links to 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.”⁷ Economic research seems to confirm the underlying intuition that so-called sampling of works with ex ante unknown quality (for example, access to a reading sample) might encourage total sales in some creative industries. In addition, consumers with

the highest spending on content might be those purchasing from both legal and unauthorized sources.⁸

This approach is, de facto, a business model in which the digital sales lost through piracy are offset by the marketing and public relations (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 in other ways. 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 best-sellers or where the overall demand for their works, whether in printed or digital form, is too small to be sustainable when a large proportion of the demand is satisfied without any payments to authors and publishers.

Thus, piracy remains a concern for the vast majority of authors and publishers. The whole of the potential market shrinks due to the demand that is being met by pirates. With most publishing sectors being a low-margin business, and publishers requiring the profits of the few best-sellers to sustain the costs of their entire publishing programs, a small proportion of pirated copies can have a large 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 intellectual property-based (IP-based) industries, such as the pharmaceutical industry, and, importantly, for the library community, public institutions including public education 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 heavily fought in these sectors. Other sectors, such as banking, consultancy and accounting, have a strong interest in being seen as compliant

with laws in general, including copyright. Equally, there are some markets that are particularly prone to piracy, such as the science-fiction genre or higher education textbooks aimed at undergraduate students, which are markets where typical readers have superior IT skills and less regard for copyright. Traditional publishing in emerging markets also tends to be vulnerable to piracy, as the first consumers to embrace digital reading are also those who tend to be the most IT literate and familiar with sources of unauthorized music, films and e-books. Most lawful e-book markets begin in an environment of digital readers served only by pirates and are therefore accustomed to obtaining books for free or at very low costs from anonymous sources. Competing with such unregulated markets makes the initial investment into lawful markets daunting. Once established, orderly lawful markets gradually attract customers who expect all transactions to be copyright compliant.

In any case, the issue of piracy should not be taken lightly. Attitudes toward illegally downloading music, films and e-books change over time. Rights holders are not destined to suffer passively as victims of piracy; through their actions they can also change the way society perceives activities that deprive them of their rightful earnings. Rights will only be respected if someone stands up for them.

Anti-piracy strategies

What strategies can authors and publishers pursue when threatened by piracy?

Some publishers believe that online piracy poses such a threat to their business that they refuse to engage in digital publishing altogether. In the short term, this strategy avoids losses, but in the longer term this only works in sectors that are likely to remain print based. This could include children's book publishers, illustrated book publishers and a few other select sectors. In most other sectors, authors may seek out publishers who offer some returns from digital publishing as well as print publishing. 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 mere printers.

The first strategy for preventing 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 someone manages to copy a publisher's product, the original product will always be of 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 secondhand textbook market.

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

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

Fighting online piracy

As with 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 finances, resources and collective efforts. If authors believe that their work has value and publishers

believe their work 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 upfront, as documenting rights ownership and the chain of rights transfer is important in legal proceedings. Including copyright notices and digital rights management information in e-books, as well as express licensing terms, ensures that the users and those who wish to share these works more widely are aware of the limits of their contractual rights and know their obligations. Digital rights management information, as well as information about the original contractual licensee, can be embedded in digital watermarks: hidden information that is included in the digital files and is copied when the work is copied.

Apart from these technological precautions, there are also important political measures that authors and publishers can take. Visibly standing up against piracy is important in motivating enforcement authorities, policymakers, legislators and judges 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 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 regular 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. Often, RROs and rights holder organizations can also offer financial support.

Where policymakers and the courts fail to ensure adequate and effective copyright protection, the international author and publisher community may support local rights holders in reminding their governments of their obligations under the WIPO and World Trade Organization treaties they have joined as contracting parties. These treaties do require, where applicable, adequate and effective copyright protection.

Developing lawful markets

Online piracy existed in most countries before commercial markets could develop; therefore, all publishing industries initially faced 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:

- 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 printed books, even though this perception has begun to change. While most e-books are priced lower than print books, novels from best-selling authors can follow different pricing strategies. The price is also affected by government policies, such as fixed book price regimes, parallel import regulations and value-added tax (VAT)/general sales tax (GST) rates.⁹
- Visible efforts to fight piracy by all stakeholders and policymakers: these include clear laws, committed courts, trained enforcement agencies and rights holders who actively defend their rights. Court convictions, even if few and far between, create a sense of the immorality of piracy and a sense of risk among the perpetrators.
- Public education: the public must be educated about why rights holders should be remunerated and how copyright laws can be observed.
- Monitoring and assessment: any anti-piracy strategy, including enforcement measures, should be closely monitored and reassessed, as consumer behavior and rights holder business models change rapidly over time.

A powerful strategy to fight piracy is to offer an online experience and service that is far better than that offered by pirated websites. Legitimate platforms offer more than just content; they offer a safe, convenient and enjoyable online experience. This may include: ensuring the quality of the e-books on offer; ensuring the website's reliability; keeping the website free of viruses, unwanted advertising or advertising of illicit or immoral services; maintaining high

download speeds; offering recommendations based on previous purchases; providing reviews of content, online communities and the opportunity to engage with authors; offering related content or other merchandise; and the availability of customer service, helplines and convenient apps.

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

Notes

- 1 See International Publishers Association (2020). *IPA Global Report on Copyright & Publishing*. www.internationalpublishers.org/state-of-publishing-reports/ipa-global-report-on-copyright-publishing
- 2 See, for example, for the audiovisual sectors, Smith, D. *et al.* (2019). I want you back: The interplay between legal availability and movie piracy. *International Journal of the Economics of Business*, 26, 199-216. <https://doi.org/10.1080/13571516.2019.1553293>
- 3 Rowe, A. (2019). U.S. publishers are still losing \$300 million annually to ebook piracy. *Forbes*, July 28. www.forbes.com/sites/adamrowe1/2019/07/28/us-publishers-are-still-losing-300-million-annually-to-ebook-piracy/
- 4 Poort, J. *et al.* (2018). Global online piracy study. *Amsterdam Law School Research Paper No. 2018-21*, Figure 5.24
- 5 See Stopps, D. (2014). *How to Make a Living from Music (second edition)*. Geneva: World Intellectual Property Organization, p. 126. www.wipo.int/edocs/pubdocs/en/copyright/939/wipo_pub_939.pdf
- 6 Gupta, A. (2016). Indian films gross \$2 billion, but piracy makes 35% more. *The News Minute*, August 21. www.thenewsminute.com/article/indian-films-gross-2-billion-piracy-makes-35-more-48603
- 7 Flood, A. (2012). Paulo Coelho calls on readers to pirate books. *The Guardian*, February 1. www.theguardian.com/books/2012/feb/01/paulo-coelho-readers-pirate-books
- 8 See, for example, Ofcom's Online copyright infringement tracker study series in the UK. www.gov.uk/government/publications/online-copyright-infringement-tracker-survey-10th-wave
- 9 For details of the discussion of Value Added Tax on e-books in the EU, see Teffer, P. (2016). EU's new VAT rules likely to make ebooks cheaper. *EUobserver*, December 1. <https://euobserver.com/digital/136111>

Conclusions

The publishing industry is fully engulfed by the digital revolution. Technology is changing all elements of publishing, even though 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, the migration to digital products is enabled by the availability of digital technology, yet whether they read on a screen or on a piece of paper continues to be a choice.

Printed books appear to be different from other media because readers see more than nostalgic value in paper as a 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; printed books persist in markets where readers perceive value in them, but where digital formats provide important extra utility or solve pressing problems, they will prevail.

Scientific communication was the first sector in which paper ceded to digital formats, as researchers needed digital technology to make the constantly growing body of scientific knowledge searchable and the information they required discoverable. However, paper staunchly persists in children's book publishing because parents prefer books as an alternative to even more screen time. Distance learning has gone digital, as technology and the internet bridge physical distance far more effectively than any printed book could. Yet, in primary and secondary classrooms, digital tools can only enhance what remains the most important aspect of learning: the student-teacher relationship.¹ Digital solutions are only succeeding in areas where they solve problems that paper books cannot.

Print appears doggedly persistent in areas such as art, cooking and travel books, and it 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 non-native language, 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, but because reading and accessing publications can happen in so many different contexts, publishers must learn to provide access to their content in a range of digital formats as well.

For the publishing industry itself, “going digital” is not a single act or a 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 and what they are looking for; and then making sure that publications are available to them where and when they want them and in the format that they want to use to satisfy their individual needs. This shift toward user preferences is the true revolution; it puts all the power into the hands of the reader. Successful publishers are those who do not resist but adapt their services to these needs and build their business models around them. And even if the publishers decide to publish in paper format, 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. 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, “[Intellectual property (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.”²

Despite all the changes in media, technology and reader behavior, the passion that drives the publishing industry serves has never changed: to harness the creativity of writers and the skills of publishers to tell stories, share ideas and pass on knowledge.

Notes

- 1 Saavedra, J. (2020). On World Teacher's Day: A recognition of hard work during challenging times. World Bank blogs, October 5. <https://blogs.worldbank.org/education/world-teachers-day-recognition-hard-work-during-challenging-times>
- 2 Jewell, C. (2016). Digital pioneer, Jaron Lanier, on the dangers of "free" online culture. *WIPO Magazine*, April. www.wipo.int/wipo_magazine/en/2016/02/article_0001.html

Annexes

Public policy checklist that enables digital migration

Any country that has a literate and educated population can sustain a local book culture and a publishing economy; however, all publishing sectors are highly dependent on government policies.

Annex Table 1 provides a list of policy areas that affect paper and digital publishing.

Annex Table 1. Copyright-related policies

POLICY AREA	Laws and policy measures	Stakeholders	WIPO assistance
Copyright laws			
Implementation and ratification of relevant WIPO treaties	Berne Convention, WCT, Marrakesh Treaty	All	Available
Review of copyright exceptions	Compatibility with WIPO treaties	All	Available
Respect for copyright	Public awareness campaigns	All	
Anti-piracy policies	Awareness, training, enforcement	Authors, publishers, enforcement agencies, courts	Available
Appropriate legal frameworks for authors and translators	Copyright and contract law	Authors, translators, publishers	No international instruments
Copyright and licensing skills	Capacity building for authors, publishers and other stakeholders	Authors, publishers, libraries	

Forward-looking copyright policy dialogue	Roundtable, multistakeholder consultations that encourage collaborative solutions	All	
Collective management	Building capacity and reviewing effectiveness, efficiency and good governance of collective management organizations (CMOs)	Authors, publishers, libraries, other potential licensees	Available
Digital publishing policies			
VAT/GST	Appropriate and consistent VAT rates for e-books and other digital publications	Authors, publishers, libraries, retailers	
Book pricing	Appropriate rules regarding fixed book prices	Authors, publishers, retailers	
Competition law	Appropriate competition oversight that enables competitive online bookselling and distribution	Authors, publishers, retailers	
Accessibility	Ensuring books are available for people with print disabilities	Publishers, libraries, organizations representing people with print disabilities	Available
Digital educational policies			
Digital education policies	Ensuring educational objectives adequately assess digital tools and their effect on education	Authors, publishers, educational policymakers, technology providers, teachers, researchers	
Digital education pilots	Careful piloting and evaluation of major digital initiatives	Researchers, authors, publishers, educational policymakers, teachers	

Digital purchasing policies	Ensuring purchasing policies sustain local educational expertise, in particular among authors and publishers	Authors, publishers, educational policymakers, teachers
Textbook procurement policies	Reviewing whether textbook procurement policies adequately incentivize local authors and publishers to invest in the skills required for quality textbooks, and that these policies enable appropriate competition	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	Awareness and promotion of existing licensing schemes and other mechanisms 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	

Author/publisher digital copyright skills checklist

Authors and publishers must become copyright and internet literate. Copyright, like any other right, must be understood, asserted and managed, and this requires the ongoing perfecting of a series of skills, both familiar and new.

Annex Table 2. Author/publisher copyright skills checklist

Copyright aspect	Skill	Acquired
Copyright training	Authors and publishers must understand their national copyright laws and express the rights they grant clearly in licenses.	
Copyright compliance	Authors and publishers must be respectful of the rights of others whose works they themselves make use of, such as illustrators, translators or third-party licensors.	
Rights management	Authors and publishers develop rights management workflows that integrate rights management into the publishing process.	
Author–publisher relationships	Authors and publishers should discuss the publisher's digital publishing strategy as part of the licensing process.	
Self-publishing	Authors must pro-actively manage their rights and understand the rights implications of different business models, including self-publishing platforms.	
Collaboration	Authors and publishers should strengthen their collaboration to defend their common interests.	
CMOs	Authors and publishers should strengthen their national CMOs to defend their interests.	

Supporting the development of a national book and reading culture through local professional writers and publishers requires an understanding of the way this sector of the creative economy works and how it is affected by the digital revolution. This publication is intended to help policymakers, particularly those in countries that are interested in promoting local publishing, to understand the publishing industry better and to understand how copyright and other policies affect the way books are being created, published and consumed.

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