

START UP

OF THE BOOK

GONZÁLEZ

KLEIN

LUIS

NINA



# Startup of the book

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# INTRODUCTION



The e-book you have in front of you was born out of a conversation between its authors: Luis and Nina. We met in the course of an EU-funded project, *Technology and Innovation for Smart Publishing* (TISP). It took some time (two years, to be precise) and quite a few meetings before we discovered that we share a fascination for startups in publishing.

## Luis González

I worked for a corps of senior civil servants in Spain's public administration, in charge of several R&D departments. There, I also promoted the Spanish book sector and spreading of literature internationally. I helped launch the National Reading Plan. When I began working at the Foundation Germán Sánchez Ruipérez (FGSR), an organisation for promoting reading, I saw that it had seamlessly integrated both reading and R&D. Over the past seven years, the FGSR has focused on designing innovative projects for each of the fields in which it works. The results of my research on digital reading eventually provided a link between the way I see the role of libraries and how I perceive business startups. 'Just-in-time learning' has become essential for new companies in the book industry; the most important learning is referred to the needs of readers. What is exciting today is that tools now exist that make it possible for libraries – and hence, readers – to play an active role in the process.

## Nina Klein

I started getting involved with publishing startups because I like the spirit of 'new stuff happening in publishing'. While working for the Frankfurt Book Fair, I set up a blog about startups and also devoted several issues of the Frankfurt Book Fair's international publishing magazine, Frankfurt Quarterly, to the topic of startups. At the beginning of 2014, I published my Master thesis '[New business models in publishing, startups and their strategies in publishing](#)'. This e-book includes an extract from that thesis, in which I focus on value creation and value capture, and introduce a range of possible new business models for startups in publishing.

We would like to share our discussion with you because we believe a conversation like this is the best way to learn and to progress, to gain a better understanding and to have fun. Of course, a conversation with just the two of us is too narrow in every sense;

but that's only the starting point. We really want to have a much broader debate, and we've got two ways of achieving that:

**Each of us has three 'wildcards'** – people we'd like to invite into the conversation. These might be experts we admire from afar (following them on Twitter, without actually having talked to them), or with whom we are already in touch. We will flag up these wildcards every time we pose a question on which we'd really like to hear the opinion of these experts. The relevant passages will be marked (WILDCARD!). You can find a list of all these open questions and the corresponding wildcards at the end of the book.

Building on that idea, we'll try and expand our network by asking these 'wildcard' experts, in turn, to name at least one person whom they would like to involve in the conversation about startups in publishing. This will be an ongoing process which you can follow on Twitter, using #experts and #publishing\_startups.

The result of this should be an 'open e-book conversation', in which everyone can participate – and which creates a strong network of experts in the field of publishing startups and new digital business models.

# CONVERSATION



**LUIS GONZÁLEZ:** When we talk about the consequences of the digital world in the book chain and, more specifically, in the case of publishing, I find that many of the ideas have no more real basis than the opinions and desires of everyone. That is why I was so excited when reading your paper, '[New business models in book publishing: An analysis of startups and their strategies](#)'. This was one of the rare occasions when one could learn from serious research and examine the ideas to address, agree on or just be inspired by. You published this work a year and a half ago, categorising startups and their business models. This realm is so influenced by market or consumer behaviour shifts, and the impact of new technological tools is very powerful; so much so that I can see how some of the studies we undertook need to be updated and revised. Do you think that the categories of publishing startups and business models have undergone any change so far?

**NINA KLEIN:** I agree with you: we need to update and revise our research constantly, and we definitely need more research devoted to book publishing and the adjacent creative industries like press publishing, games, film, design, illustration and music. The speed with which the publishing universe is changing was very much on my mind when I wrote the paper at the end of 2013. That's why I chose not to use existing categories from the incumbent world of publishing (like 'trade', 'children's books' and 'STM'), nor revenue models like 'subscription', 'flat-rate' etc., but rather to use categories aligned with the core functions of publishing ("What is the job they do for the customer? What is the revenue/cost structure? What is the value network? What are the key resources and key partners? What is the driver of innovation?"). I figured that the core functions of publishing would also be the functions that startups would take over, thus unbundling the competencies that are now bound together in individual companies, and adding new competencies. By taking this approach I wanted to avoid the trap of fleeting time.

Of course I haven't succeeded in that. Over the past year and a half, an abundance of new startups has emerged – and lots of those which existed before have vanished already.

You can get an impression of this rapid change by looking at two lists of publishing startups that are freely available on the web. One of them is compiled by Michael Bhaskar, a publishing expert in the UK, who is himself the founder of a startup, [Canelo](#) (UK). He wrote the book 'The Content Machine' in 2013 (which formulates a theory of publishing and is well worth reading). You can find his list of startups here: [https://docs.google.com/document/d/1vcPBUincOjwglQBjq\\_qhMPb9QYitgeyl6gQUMIhWQUw/edit?pli=1](https://docs.google.com/document/d/1vcPBUincOjwglQBjq_qhMPb9QYitgeyl6gQUMIhWQUw/edit?pli=1)

The other list is one I compiled myself in the course of my research, using the categories for startups that I formulated in the thesis. This list has also been growing ever since, and is available here: [http://docs.google.com/document/d/1QqkiCg4BktD-2JC4WEX6ljRMUeLPB4boNz7B\\_acjGY\\_k/edit?pli=1](http://docs.google.com/document/d/1QqkiCg4BktD-2JC4WEX6ljRMUeLPB4boNz7B_acjGY_k/edit?pli=1).

Both lists have one thing in common: they are incomplete – and lots of the links lead nowhere. This just goes to show that it's impossible to keep up with the speed of change.

To come back to your question, I think that the basic assumption I made in my thesis still holds true: competition in the publishing market is now between different business models – and this seems more important than the older competition between different kinds of content. Yet the competition between business models relies on factors that I did not research at the time. Startups need to market not only their products and services to their customers, but also their business models to potential investors. I completely overlooked the latter part, concentrating instead on the factors of value proposition and value capture, which are tailored to the business-client relationship rather than the business-investor relationship.

For example, one of the startups I was particularly impressed with at the time, [Small Demons](#), has since gone out of business, apparently because it failed to succeed in another funding round. I categorised *Small Demons* as an example of the startup category 'marketing/branded content'. Its idea was to link places, people and, more generally, 'stuff' from books with 'the real world', by the use of data and text-mining. This would let companies easily use literary quotes and brands for their own marketing, while the users could find their favourite places or people in the real world, take a holiday at the setting of their favourite novel, for example, and order the same Martini as the hero – potentially a very convincing value proposition for advertisers and customers alike.

As the fate of *Small Demons* shows, the crucial questions are not only: How does a startup reach its customers and convince them that it is the right company to do the job at hand? Or, how does it market its value proposition? It is also important to ask: How can it convince its stakeholders to invest in it? And how does it differentiate its business model and market this differentiation? I included this point in my categorisation of startups under 'value network', but I feel that the question deserves much more attention, as it is a decisive factor in the success or failure of a business model. It's similar to the older question related to marketing in publishing, of how to reach an audience. It seems as hard to answer now as it ever was. After all, with an abundance, not only of content, but also of companies and different business models all vying to be noticed, people's attention is becoming the scarcest good there is.

There is a great need for marketing and 'discoverability' throughout the value network. We are still just as far from having the mythical 'fully transparent market' as we were in the times of Adam Smith. With digitisation, the old world of print is expanding, perhaps exponentially, into a virtual world – everything that touches the web turns into 'content'. This means that abundance is the problem, not scarcity. 'Big is beautiful' is the principle of the networked economy. Big platforms get even bigger (Facebook); big search engines do too (Google). Scale is still the decisive factor in this far from perfect competition, and both media concentration and monopolistic tendencies are on the rise. At the same time, however, fragmentation or the growth of niches counterbalances the centralising trend. That's something Michael Bhaskar describes very well in his book, [The Content Machine](#). It means that technology can help small companies succeed in marketing their own value proposals and business models. I would be interested to hear Michael Bhaskar's view on this, as he founded his own startup, Canelo, just recently. I'd like to ask him how he sees the chances of small startups succeeding in the face of large-scale competitors. **WILD-CARD to @MichaelBhaskar!**

By the way: [Passage](#), a Belgian app, has done something similar to *Small Demons*: it offers passers-by an experience of 'literary serendipity', connecting places to literature using the hyperlocal technology iBeacon. It adds augmented reality to the data and text mining mechanisms that *Small Demons* offered. Fascinating! And a good example of how

new technology can help create a new service and reach out to customers. The question is, how the financing/investor side works for *Passage*. That's a question I would like to flag up for [Frank Salliau](#) of the Flemish research centre iMinds! **WILDCARD to @FSalliau!**

**LUIS:** You wrote that 'one of the main questions posed was how the achievements of publishers can be rewarded in a digital environment, and what functions publishers have'. I think that is indeed the *Gordian knot* that must be untied in order to regain some common sense, reach a balanced situation in the book business and settle relations between different actors. We strongly believe that there are or, at least, there will be many opportunities for laying out the basis of a new economy of the book chain, based on diversification of needs, consumer preferences and solutions; because with *digital*, it seems that the limits of printed books are bound to dissolve and a new landscape composed by many value chains or networks is emerging. That is the reason why I was fascinated when reading your prediction about multiplication of business models. How would you define that statement?

**NINA:** The main results of my paper show that there is a plethora of business models springing up where once, in traditional print publishing, there were just a few. Lots of startups in publishing change their value proposition from offering a product to offering services – be it software as a service (SaaS) or content as a service (CaaS), selling or licensing content on subscription models and in snippets, as in pay-per-use – according to the customer's demand. [1] Of course, one could argue that e-books are by definition a service and not a product, considering their non-material form. Publishers like Emma Barnes (Snowbooks) have started to experiment with technology for their own needs. Barnes has come up with a publishing software that is now ready to be marketed internationally ('[BiblioCloud](#)').

Some startups in publishing offer platforms for multi-sided markets, which means they cater to complementary user groups. An example is Bibliocrunch, which is a match-making platform for authors and publishing professionals. At the same time, it is also a website that distributes and markets content. Social and consumer trends that stress participation (self-publishing, crowdfunding and crowdsourcing) and individualisation are explored as important drivers of innovation in business models. Consequently, newly emerging business models aim to provide publishing services to self-publishers, or platforms for direct interaction between user groups; they support the use of crowdfunding and crowdsourcing to complement the core functions of publishing, they deliver high quality multimedia books or draw on new sources of income from marketing.

The potential sources of income and the customer value propositions are thus considerably more diverse in digital publishing than in traditional publishing structures. The provision of marketing services becomes an even better option – in the form of corporate publishing, producing so-called 'branded content', or in other, more innovative forms such as giving a context to other commercial goods and services through data and text mining. By crossing sector borders, publishing services become interesting to new sectors and new clients – just think of the Internet of things. Income from IP (licensing, merchandising) can be diversified. Core functions of publishing, such as selection, aggregation, curation and marketing, emerge as functions that are being explored by a plethora of startups.

In a nutshell: The function of a publisher as a community builder, as someone who nurtures and structures knowledge, story worlds and communities, is becoming more

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[1] cf. Chandra Steele, 'What Should We Expect Now That Books Are a Service, Not a Product?' PC-Mag, April 23, 2013, <http://www.pcmag.com/article2/0,2817,2418079,00.asp>, accessed May 2013.

important. At the same time, the question remains as to whether or not this diversification of business models will translate into increased net revenue from content; or if other products and services will be paid for, while content is a cheap, subsidised or free add-on – as seems to be the trend right now. I think this is the most interesting question, considering the price of content is now in freefall in adjacent professions like journalism. Personally, I am optimistic that an intelligent mix of technology, business model and content will produce valuable, products and services that are paid for. I also believe content is on a par with the other two decisive success factors, business model and technology.

**LUIS:** What are the trends that you think are most likely to grow during 2015?

**NINA:** One trend I see in publishing is the need for international exchange and co-operation. It is very helpful to look and act beyond your own national context. Lots of startups plan from day one to be international businesses. One successful example is the model of Tolino in Germany. Based on a cooperation between Deutsche Telekom and booksellers, and with a market share today of around 40 per cent in Germany (closely rivalling Amazon), it has since been picked up by a companies from Italy, Belgium and the Netherlands. startups can bring a lot to incumbent industry players. One recent example is Oxford University Press (OUP), which entered into a partnership with Emerge Education, an accelerator programme for education technology startups. 'Through the collaboration, OUP is working with the startups involved in the programme to develop their innovative platforms and delivery systems, and combine them with our world-class content,' [says OUP's Paul Riley](#).

Another trend is the cross-over between the real and virtual worlds. Book publishing has always been located on the intersection of the real and the virtual (just think of someone reading a 'how-to' book). Now, with digital technologies, that intersection is increasingly becoming an omnipresent interface. Augmented reality (AR) devices like Google's Glass, and other wearable tech are recent examples of this. The Internet of Things (IoT) allows publishers to expand their core functions into other industries: possible areas include smart cities, health and e-government. This will not happen all at once in 2015, of course, but the awareness will grow, and there are already examples on the market: Samsung and GU have started cooperating to provide recipes via smart-watches; the first [AR plugin for magazines was launched last October by metaio](#); and take a look at [MIT's Sensory Fiction project](#). The hardware for AR might still need to mature, but it is just a matter of time before the opportunities out there will become real. I think it would be interesting to hear [Richard Nash's](#) view on this, actually! **WILDCARD to @R\_Nash!**

And of course, there's the debate about Kindle Unlimited and the subscription model... and another interesting trend is 'slow media' [2].

**LUIS:** In the TISP Smartbook you mentioned Clay Shirky's point about the end of publishing as a job, because it is now being replaced by a click of a 'button'. Don't you think there is an excess of bold statements of this sort? Don't we still need someone who locates, identifies, selects and provides the best content? I personally find Shirky's approach to the power of generosity on the Internet more useful, as analysed in 'Cognitive surplus'. Do you think that the new social practices stemming from connectivity are compatible with a sustainable book industry?

**NINA:** Yes, there is an excess of bold statements, and the noise will get louder. Right now, being loud and explicit seems to be the only way to get attention – the most valu-

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<sup>[2]</sup> cf. blog entry on slow startups, by the Slow Media Institute (Germany, founded in 2010): May 3, 2015, <http://en.slow-media.net/slow-startups>, accessed May 2015

able good in the 'attention age', as Herbert A. Simon described it. I used Shirky's 'button' statement as an angle in my paper because it is loud (sic!), and because it's at the heart of the question of what publishers do. What job do they perform for their customers? Just like you, I think the core functions of publishing, such as selection, aggregation, curation and marketing are very important. At least, that is what my paper showed: these functions are currently being explored by a plethora of startups – and they are becoming more important as the noise gets louder and the need for 'quality filters' grows.

The 'cognitive surplus' that Shirky described in 2010 as a positive trend, which turns couch potatoes into co-creators, is also sometimes called the 'gift economy': people like to help people, they like to create, they like to share, and the digital economy makes that possible. The debate about whether this is true or not is at least as old as Rousseau and Hobbes' argument about the nature of mankind. Personally, I am not sure if people's urge to create isn't sometimes overstated. I came across studies showing that the proportion of creators in any given network or platform is always around 10 per cent. It takes time to create something and it can be a very tiresome process – which you, as chief editor of Lecturalab, are probably very well aware. The point is, though, that people can change their roles easily now, from consumer to participant to creator, and back. The number of people who do create and participate is certainly on the rise, compared to the pre-digital age. (In this sense, participation is a less time-intensive activity than creation.) This is new and it is very exciting. It's liberating and certainly helpful for any kind of business, including publishing – as well as for democracy and society on the whole. The audience, readers and prosumers that actively participate in the value network for a creative work represent a rich potential.

**LUIS:** As Director of Public Relations, and then Director of Corporate Content at the FBF, you were responsible for the editorial media of the 2008 Book Fair, including the Book Fair Blog, the Newsletter and the Frankfurt Quarterly. Publishing content about the book world can mean many different things. At Lecturalab, we publish content on many issues but we also choose some topics that we consider strategic, which we then follow closely like hounds, until we find new areas to cover. Are there any topics at present that you consider important enough to prioritise?

**NINA:** I am very interested in access to research, as well as access to finance for small and medium-sized companies (SMEs) in the publishing sector. Together with the European network 'Technology and innovation for Smart Publishing' (TISP), the Frankfurt Book Fair carried out a [qualitative survey](#) of over 1,000 European publishers, asking them about their research and development (R&D) needs. The findings were published at the Frankfurt Book Fair last year. One of the most interesting results was that 67 per cent of respondents said they could envisage collaborating with other companies for their R&D, and would use the resources of research institutes. That's mainly because they feel they can't meet all their R&D needs on their own, due to their small size. It is often said that the success of Silicon Valley lies in the fact that major research institutions, like Stanford University, are located there. I wonder what knowledge networks exist in Europe to connect SMEs in the creative sectors to research. Which universities offer applied research in this field? How could we support such networks? And how can SMEs tap into them? Access to finance and access to research are closely related topics. How can publishing SMEs finance their innovation needs? Traditionally, the banks seem wary of 'creative' companies, although they needn't be, [as recent studies have shown](#). What other sources of financing are there? Which of them should and could be supported and encouraged?

**LUIS:** Our organisations are partners in the TISP network, which is a collective undertaking, funded by the European Commission. I strongly believe the Frankfurt Book Fair plays a key role in this project with all its objectives. I also think that, as a powerful asset in the global game, the Book Fair is one of the few comparative advantages that Europe can count on. Frankfurt represents many different things for the book realm across this continent. My organisation, the Germán Sánchez Ruipérez Foundation (FGSR), is a smaller body, active on two continents: Latin America and Europe. What benefits do you think TISP is bringing to our organisations?

**NINA:** One outcome for me personally is the awareness of how important the European dimension is when it comes to technology and publishing. Boosting the digital market for creative works on a European scale would be highly beneficial, and technology and publishing could join forces even more to achieve this. The Frankfurt Book Fair has invested a lot in the topic of international publishing and technology, and it is interested in supporting this European dimension, because there's a real interest, in turn, among its clients and customers. Projects like TISP provide a kick-start at the European level, and we need to follow it up with other similar actions. There's a need for more networking between Europe's publishing and technology players; and the networking should be less mediated and more hands-on, with project-level interactions between large and small enterprises, startups, policy makers, business support organisations and research institutions.

Another outcome is the awareness of how important it is to research, formulate and communicate innovation needs and trends in publishing at the European level. There is a lot of innovation happening in publishing right now. This can be mapped and used to identify synergies. EU funding programmes are now trying to develop a network of SMEs and research institutions. The publishing industry could play a more active part in that by setting its own European research and innovation agenda. This is obviously much harder in an ecosystem as diverse as publishing, consisting mainly of SMEs, than it is for more concentrated sectors such as telecoms, for instance. The survey on R&D needs in European publishing was a step in the right direction. As is the [TISP Smartbook](#), which provides valuable insights into innovative European publishing trends powered by technology. That's certainly one of the best resources available in this field.

I think almost all these things are interesting for organisations like FGSR, because they widen the potential spectrum of their activities. With its strong links to Spanish-speaking Latin America, FGSR is used to acting internationally – which is currently a trend in publishing. Now we should get used to behaving in a more European way. It is worth striving to put Europe on the publishing and technology agenda, while at the same time putting publishing and technology on the agenda of Europe.

Can you explain your concept of a 'connected book'? And how do you differentiate between books in that sense, and other media?

**LUIS:** The idea of a 'connected book' arises from the findings from the second phase of the research project on digital reading ([Territorio eBook](#)). This term helps me highlight the crucial role of the Internet as a driver for change in digital reading.

We had conducted a first phase of the project with e-readers, and we believed that the digital medium did not modify the basic features of reading, vis-à-vis print. This idea drastically changed when we were able to use the first tablets that came to the Spanish market (spring 2010), as readers started to communicate with one another and link the text to certain resources found on the Internet, which enriched it (videos, photos, other texts). Readers also started to communicate with authors. For example, 10-year-old girls explained to an author how he should have written part of a book for it to be more understandable or interesting.

This perception is very different from Roland Barthes' idea of reading as an individual space. He contends that 'the text is never a dialogue, but a sort of islet which manifests the asocial nature of pleasure'. In theory, this is easier to apply in the case of reading a printed book. I have coined the term 'confined book' – with the exclusive aim of underlining the transformation we are experiencing – as it is on a paper or a device (an e-reader without connection). These types of books and these objects are perfect for the kind of reading referred to by Barthes, which is still possible (we hope in the future, too) as well as simply wonderful. Despite all this, from another standpoint, we should remember that reading is always an act of communication between readers and authors.

However, when I talk about a 'connected book', I try to describe a new emerging situation, in which the text itself is linked to other texts (dictionaries, works from the same author, other texts from other authors or comments from readers), to other types of content (photos, videos and audio) or other people through comments, notes or simply with the possibility of chatting or communicating by *Skype* or *Facetime* with someone who left a bookmark or a note in the same paragraph or chapter we are interested in. We think this process is already underway and implies a bold transformation of reading towards something more social than what it used to be.

Reading was already 'social' by definition, from its origins, as the act of reading itself is obviously a communication act, at least between authors and readers. What is happening now is that the process has been accelerated, escalated and intensified, as it usually occurs with digital. A book is connected because it is part of a device connected to everything, to the Internet.

An interesting question is how boundaries are set between books and other media. I actually think we are experiencing the first stage of the beginning of a cultural and industrial change related to content. It is difficult to see things clearly at this early stage, but media convergence is already taking place. Printed newspapers are similar to those from fifty years ago, but their Internet-enabled versions look more and more like television. I can remember the time when a post on 'The Fantastic Flying Book of Mr Morris Lessmore', an illustrated book app, was published on our website [www.lecturalab.org](http://www.lecturalab.org). We wondered if it was a book or an animated film. Finally, this content won the best-animated film category at the Oscars. In 2011, authors stated that it was a book designed to be printed – a physical and illustrated book. Nowadays, many digital books are made and conceived from the outset as a crossmedia digital product. 'Crossmedia' is something interesting for current content creators and this industry as a whole. One of the researchers that worked on this process was José Antonio Cerdón (Salamanca University).

**NINA:** You say that readers expect enhanced/multimedia books – can you back up that statement with some facts and figures?

**LUIS:** The concept of digital reading was not conceived as such until e-ink mobile devices appeared (Kindle, 2007), although digital reading was already massive on computers. Therefore, we think it is rather unlikely to overvalue the impact of the use of systems that involve mobile devices and connectivity. In fact, we maintain that this is the most important thing that has ever happened to reading in the case of younger generations. We do not refer, obviously, to the portability aspect (which had already been provided by codex-books such as current print books), but rather, I am interested in everything related to smartphones and tablets, as these devices are connected to the Internet and enable the use of multimedia content. In other words, the transformation of reading is based on two concepts: multimedia and connection. I would like to know the opinion about this of Zev Lowe, Senior Director of Research & Business Development of Worldreader and what are the opportunities of the devices in a global scale, so WILDCARD to @zevlowe!



There are recent studies that highlight the gradual progress of multimedia mobile devices. 'The rise of Generation #hashtag' survey, on 6,000 consumers in France, United Kingdom, US, Germany, Russia, Brazil, China and India, shows that 46 % of young people and 34% of adults read e-books. In the case of youth, they get to know e-books through recommendations from social media outlets and access them mainly through mobile and Internet-connected devices. Moreover, *Gutenberg Technology* conducted a survey, by the end of 2014, of 4500 students who were provided with tablets for ten weeks. One of the conclusions of this study is that when texts are available for use in this kind of devices, participants increase their use. A study carried out by *Souris Grise* indicates that the presence of tablets is becoming more frequent in homes, and children, aged 8 to 12, mainly use them. The person that knows more things about the behaviours of the internet users among all I have ever met is Lee Rainie who is Director of Internet, Science and Technology Research at the Pew Research Center and I would like to hear his view on this. **WILDCARD to @lrainie!**

*Cisco VNI Mobile 2015* forecasts that, within the next 5 years, the number of Internet-connected mobile devices will exceed the world's population in 2014, and also that monthly mobile tablet traffic will surpass 2.0 exabytes per month by 2018. On the other hand, tablets will account for over 10 % of global mobile data by 2016, and by 2019, tablets will generate nearly double the traffic generated by the entire global mobile network in 2014. Moreover, cloud applications will account for 90 % of total mobile data traffic by 2019.

In this context, it is clear how important devices are in serving as a medium to read whenever they also integrate the two mentioned characteristics: connectivity and multimedia. We have repeatedly seen the transformative power of reading with both characteristics in the field of our research.

In 2009, we started a pilot project on digital reading with e-readers. The incorporation of tablets, in the spring of 2010, into our research (basically, the first iPads which came to the Spanish market) meant a radical change in the behaviour of the research participants and translated into a greater ambition for GSR Foundation with regard to this pilot project. In summary, we observed that younger readers had trouble understanding why the experience referred only to a text when narrations were, precisely, related to music and cinema.

After two focus groups sessions, a new phase was undertaken, in which 70 lines of multimedia content linked to the text of a novel were prepared. Building on the success of this first experience (with Lorenzo Silva's novel *Niños feroces*), the work went on intensely – including more and more multimedia contents – in order to create a multimedia experience. So we learned a few things.

If we pause to think about everything I just said, we will see that our research required our team to develop a certain digital 'DIY' product, enhanced with *handmade multimedia content*, because no such thing existed as a product on the market back then.

The conclusion drawn from this project is that readers desire to take advantage of the multimedia opportunities, which technology makes possible, but publishing houses in Spain back then (in 2010) did not yet offer products of this kind. This issue should be taken into account when defining value propositions of new businesses concerning cultural content.

**NINA:** We often hear that young readers sometimes lack basic literary skills. Can you provide any facts and figures to support that claim? What are the best ways to teach these literary skills? Do you think that the 'flat' world of monitors adds to the problem of digital illiteracy? (It is harder to differentiate between sources of content when everything looks the same. By contrast, in the physical world there has always been a clear distinction between newspapers and books, for instance...)

**LUIS:** The most widely used tool to assess reading skills is the PISA report. The publication of results is controversial in each country and comparisons are usually pointless. For example, the world average is represented by the UK, whose score is 499 points. There is frustration in Spain because its score is 488 points, but it must be said that there are regional differences: Madrid has the highest score at 511 (higher than in the UK, Belgium, Switzerland, Germany, France or Norway, for example). However, the worst score of a Spanish region is 457 points, similar to the results of less developed countries of OECD and below the European Union average (489). These differences would be even greater if there were information available by city, neighbourhood or family. This is not the most appropriate ranking to monitor the situation.

The qualitative view of the PISA expert team on challenges about hypertext reading seems more useful, however. They indicate that the Internet requires better tools of reading competence than linear reading in print. If we add to the challenges derived from the rupture of linearity the one of hierarchy and solvency of sources, reading faces a great challenge indeed in the Internet. Internet is an unordered set of information that needs to count on delimitation and reorganisation criteria.

Strengthening literacy should be the most important task of schools. This assertion is based on the fact that reading by all means should be at the heart of a learning strategy, built around the school library as well as electronic devices. If students are used to being self-sufficient in finding the most important information and drawing conclusions to solve tasks assigned to them, this will come close to being a guarantee for the improvement of reading skills. Mediators are essential in this process: Firstly, teachers and, secondly, librarians who are real experts in information retrieval.

The current problem is that networks as well as new digital agents generate a type of reader who is mainly an information collector and accumulator, instead of being a stimulator or a critical reader. For this reason, libraries are a fundamental source of hope if they can play a new role, becoming more training-oriented and focused on creating intense types of reading experiences. We should realise that most readers who attend libraries have a greater commitment to reading than average citizens; libraries are like reading gyms for intense exercise and high-performance centres in a new digital context.

**NINA:** It seems that a new generation of readers is questioning high culture and the authority of authors (and publishers). But hasn't this always been the case – although no one noticed, because readers had no voice? What is to be gained from this exchange for authors?

**LUIS:** Yes, you are right, I am sure that today the voice of readers can be heard more easily than before. However, long before the Internet came around, there were always readers who would spread their views on reading. There are notable cases where this is strongly present, as when Dante is guided by Virgil, and the *Comedia* sets a very explicit vision about his personal readings. In most other cases, writers are obviously readers and this is shown in their work, although not always evident. The contemporary idea of collective creation on the web is related to the suggestive reflection of George Steiner about *constellations of creativity* that in Athens of Pericles, Rome of Augustus or Elizabethan England marked the milestones of the history of art. This also applies to Madrid in the beginning of the seventeenth century, when writers like Cervantes, Calderón de la Barca, Lope de Vega, Quevedo and Góngora influenced each other's work with their creations.

Perhaps the difference dwells in the 'democratisation' of the edition: the selection that existed previously – when a minority of authors who saw their works published were also readers gifted with some 'public' voice – has been replaced by a medium in which all readers are editors/publishers and authors.

So it is no longer a minority of readers who have a voice but all those who want to express something. This situation is leading the current process in which all readers have a say about a work and exercise it in dialogue with authors through their blog, Facebook or Twitter account. Secondly comes the phenomenon of conversation platforms between authors, for example, blogs of poets who collaborate critically, reading the works of others, reviewing and publishing their own. Thirdly, there is the massive spread of self-publishing.

The next phenomenon that we observed is that *Academia* and *High Culture* are losing their significance on the Internet and readers do not know hierarchies that were clear before.

As to what authors can gain from these new dialogues, I can recall statements made in a national newspaper by the author who participated in the first phase of our pilot project on digital reading: the experience had changed his writing, and he would never be the same author he had been until then. Certainly, in this case, it was a very intense and deep dialogue, but this novelist also considered the conversation as a tool to pre-test his next novel. In fact, many writers are already publishing preliminary versions of their works to get a first review from readers.

From another point of view, this direct relationship implies a tool for inbound marketing and, if publishers are not faster and more efficient, even for direct marketing.

**NINA:** You say *Twitter* and *Facebook* are not the best tools for social reading; but that vertical social networks inside e-book platforms are better. Can you explain what you mean by that? Can you give one or two examples?

**LUIS:** Through our research, GSR Foundation has learned that combination of the work of a librarian as mediator and 'social reading' processes in book clubs produces positive effects on reading comprehension, intensity and motivation of the reading experience. These findings led us to focus on all the factors that influence the success of social reading.

This outcome has been significant for the GSR Foundation because it has had a crucial influence on designing our digital-reading strategy in libraries (research Project Territorio eBook 2009/2015). In 2009, when the research started, we applied the same methodology used in on-site book clubs, but expanded it by implementing a mixed-mode: face-to-face meetings and dialogue through a blog.

The conclusion of these first experiences (with readers over the age of 55 in a rural library) is that mediation was not considered a reading-experience. In other words, the work of the library (mediation) was carried out from the outside, from the 'text periphery', trying to enrich readers' experiences (by meetings with the author, excursions to the setting of the novel, theatrical performances and cinema). This made us create some kind of confusion through a fragmented experience that meant two different kinds of products: the text on the one hand and the conversation on the other. The final report found that readers considered the entire conversation through the blog as something completely different from the novel. Furthermore, the interventions that readers carried out while reading the text were lost because they could not be saved. That meant we had created a dissociated reading experience and the tool was also inappropriate.

When we worked on the same pilot project with teenagers, we used *Tuenti*, a famous social media in Spanish-speaking countries, which they use to chat with their friends. The conclusion was similar to the previous case: the conversation had nothing to do with the reading itself and became something irrelevant due to its artificiality. This effect worsened because of a mistake we made in designing this stage of the research: providing activities even more external to the text than we had provided for the age group of over 55 year-olds.

We switched our focus onto a group of children, aged 8 to 13, and our work became much better thanks to improvements in another field (direct link to the text, through a weekly project designed by the team of librarians in collaboration with the author and illustrator: always related to a challenge facing one of the characters and their meaning within the whole narration). However, the conversation was still dissociated from the reading experience itself. This new dynamics had a certain degree of inefficiency because readers had to log in and sign out from the device in order to try to share their opinions and experiences. This meant that we had to remind each of the participants that they should participate in the blog activity based on the reading instead of leaving the text aside and engaging in independent off-topic conversations. We also had to struggle against the fact that they often chose a different device for each activity.

Thus, we realised that we needed new tools to reinforce conversation in the digital reading experience as well. The next stage consisted of creating a *Facebook* group, since we had already seen that certain companies were using this system to launch and promote certain titles and authors. Moreover, we linked this scheme to the use of the *Readmill* app (which has since been closed) to mitigate the drastic difference between reading and conversation, since it enabled intervention of readers on the text of the novel. In this case, the problem was that readers invaded *Facebook*, oftentimes disturbing the conversation in the book club: as it is well known, publications are arranged by the last comment or 'Likes'. Participants stopped sharing their opinions in *Readmill*, in order to not disturb the conversation on Facebook, and eventually the whole conversation stopped.

We also used *Twitter* with another novel and, as a result, the librarian as well as readers got lost in the conversations because of the large number of threaded conversations and their vague nature.

The conclusion is that linking tools that are unrelated to the reading device and the personal context of reading of a text is not the best solution for effective 'social reading', according to librarians and participants in the focus group sessions.

This is why it is necessary to create social media for readers *within* the e-book platforms. In order to explain this clearly, it is fundamental to mention an innovation which we have achieved in the framework of the project: As we have already stated, we think libraries can be leaders in 'social reading' processes, so it will not come as a surprise that we tried to apply our innovation strategy in book clubs at libraries. We decided to test if our hypothesis regarding the positive impact of conversation amongst readers was interesting by including it in the process of borrowing e-books on the interlibrary lending service. At present, e-lending systems are causing conflict, as the book industry and libraries have not found a compromise yet.

The selected procedure consists of integrating the solution for social reading in the design of the library platform for reading e-books. To that end, we have reached an agreement with a Spanish startup (*Odilo*). As a result, we are testing a platform 'to measure' which contents (e-books) as well as reading clubs are integrated. Users read e-books from an application that has tools to share fragments, comments and notes. The advantage is that socialisation is immediate and everything can be integrated by the work of mediators and the activity of the rest of the readers. I think that this difference is remarkable and its consequence is twofold: the mediators' work is more inclusive and readers' experience does not dissociate from the reading through the active and participative aspect of the social sphere, which is so significant for us at this time.

**NINA:** Mediators are necessary for an enhanced reading experience: that is the finding that surprises me most. So in order to help digital literacy and general comprehension, we need mediators for the social reading process? What competences do these mediators need – and do you see a way of rewarding those competences financially?

**LUIS:** Teachers, mediators and librarians are called 'reading mediators'. In the case of libraries, their functions are very diverse yet they have an essential mission, which they share with schools: Enabling the access to books for people who, for whatever reason, don't have access yet. This function of providing content should not be forgotten in the digital context, although it is becoming less necessary for the majority of society. This social work on achieving equal opportunities has a scientific justification in several studies that indicate the decisive influence of household conditions on literacy, such as the famous 'Bristol study', carried out by Gordon Wells from 1971 to 1984. I would like to ask Fiona Bradley, manager of Development Programmes at the International Federation of Library Association and Institutions (IFLA) precisely about the mission of the libraries within the digital context. **WILDCARD to @Fiona\_Bradley!**

If we take the task of achieving social equity seriously, a new challenge arises for mediators. It is not enough to merely provide access to books; it is necessary for the library to take over an 'educational' role, a work which strengthens citizens' reading skills. From this perspective, work done in our Foundation for the last five years suggests that a more proactive position of librarians in general is needed.

Within the framework of the research on the digital field, we asked a group of university experts for help regarding a reading comprehension assessment (University of Salamanca). The experts were surprised to detect a noticeable difference in the depth of participants' reading experience in the project regarding the Control Group members, in particular in terms of the degree of comprehension of plots and characters. At the time, it was found that people, who were assisted in the reading process by teachers or librarians, were able to understand better, and also enjoyed themselves more. It seems obvious, but researchers are not used to identifying so clearly correlations between a librarian or teaching activity and the impact on reading comprehension.

When we examined the charts produced by researchers to explain the major and secondary storylines as well as each character's role, we realised a very sophisticated work had been done to compare each reader's version, and thus, assessing the degree of reading comprehension.

We then thought that, if we were able to obtain a 'thermometer' of reading comprehension, it may be worth asking certain questions, such as: Could we use this model for the creation of a quality reading experience rather than a mere diagnosis? What would happen if the book club's coordinator had this analysis at the time of preparing his or her strategy? What if we had a blueprint for each novel in order to stimulate the reading comprehension of plotlines? At that time, we decided to revert the process: instead of using some tools developed to assess information on the reading comprehension levels on narrations, we would use the same tools at an earlier stage, that is, in preparing the coordination activities of the book club. This unconventional idea implied that the librarian team would have to develop new skills and, ultimately, have a new mission.

From a theoretical point of view, we may say we would aspire to the idea of 'text appropriation' by Paul Ricoeur. That is to say, the personal and reworked hermeneutics of the text by each reader will be used to extract what the text means to them and how they identify with it.

This approach is the start of a new value proposition of libraries. In it, cultural promotion is more important than public access to books. It has more to do with leadership in community than preservation of a bibliographic collection, and it is bound to require new professional skills.

The new skills required have much to do with exclusively human competences. I think it is a natural and logical response of a society, when traditional tasks become subject to automation with digital tools, to look for growth in other more ambitious and creative areas, thus producing a greater added value. These new skills are related to market-

ing, knowledge management, 'viralisation' of digital content, and partnership management. These skills are also linked to your question about financing of this new value proposition. Nowadays, people who own contents are more likely to support these initiatives instead of readers themselves, as today's companies are becoming aware of the MVP (Minimum Viable Product). This means that they have to test their new services or products in the real world and be able to adjust their strategies without losing their business vision. In this process, readers would be central, as they could help in a decisive way when companies need to know if they have to *pivot* their initial idea, if the readers' behaviour shows that some of the prior assumptions – about the elements or components of the value proposition they would pay for – were wrong. This is one of the questions dealt with in my brief article about partnerships between libraries and publishing startups. I think that libraries are drivers of innovation but remains the question of innovation within libraries and here I would need the help of Dimitris Protopsaltou, founder of Future Library and peer in our programs with Bill & Melinda Gates Foundation. **WILDCARD for @dimproto!**

**NINA:** Is this a value proposition that readers or someone else would pay for? Since you also argue that libraries could be communication hubs and potential partners for startups in just-in-time learning, it seems that digitisation could free 'mediators' from unnecessary tasks, allowing them to focus more on their core functions. Do you see a place in this new value network for publishers, editors, translators or booksellers (i.e. the larger publishing ecosystem)?

**LUIS:** This question you raise about who will pay for these new functions is extremely relevant – and also challenging. At first, I think we still operate in a R&D field and I think it is more likely that these functions would be paid for by a publicly-funded budget (I mean, taxpayers). It is in the innovation stage where I put a great deal of emphasis on the partnership between libraries and book publishing companies.

Our theory is that libraries create a large, high-quality audience through this intensive programme – if we are talking about the type of readers and consumers who are favoured. And so, I must return to the gym metaphor once again: highly dedicated readers would be trained and very effective as leaders in social media and creating fan clubs.

My idea is precisely that libraries can transform their cultural leadership in the community via solutions for the book ecosystem, the delivery of quality reading experiences, 'viralisation' of content and creation of reader communities. We should realise that these are not replicable or 'piratable' experiences, much like a live performance (theatre, concert). This is already interesting for the content-creating industry in a digital context, where the unit price of copy is equal to zero. I think it is time for libraries and startups to start looking after their mutual interest.

My opinion on the need of financing during the first stages of this type of innovation via the public sector may be justified on two grounds, which have an unequal implementation in Europe and the United States: firstly, the degree of prevalence of public funding for innovation of speculative or basic research; and, secondly, the role and development of open data policies.

On the one hand, there is a classic focus on support policies for innovation in Europe in early stages of research. I think this should be applied in the case of social reading and the role of libraries. There is simply no source of funding for basic research in this field, other than the public sector – any research concerning a cultural and educational sector is so far away from achieving immediate profitability that attaining other sources of funding, such as venture capital strategies, seems very unrealistic or even impossible. To put it simply: venture capital schemes are based on the fact that the majority of ideas and businesses actually fail, but those failures are financed by the large profit gained by the

few successful cases, which are the minority. Beginning the innovation phase, an alliance becomes feasible provided there is funding as a result of a partnership between libraries and companies (as I try to suggest in my text). I do believe that the nature of reading and publishing sectors make a proactive position of national governments and European Commission advisable: we need more innovation support and public funding, because we are talking about a public reading service and I think that there are potential synergies for budget appropriations for libraries in relation with research programmes and evaluation of new projects.

On the other hand, I'm adding a second idea based on a concept which is more developed in the United States than in our countries: considering a responsibility of the public sector to 'open their data' in order to help startups develop new business models consisting of a completely new service offered to citizens. The Obama Administration launched this smart idea, which is also at the heart of the book on Big Data by Mayer-Schönberger & Cukier. I find it very likely that this notion may be transferred to the case study of libraries.

Well, if we apply these principles to the library environment and go back to the gym comparison, we can say that library-goers have a high profile, a sort of excellence in their commitment to reading, which is similar to those who regularly go to a sports centre. This relationship with reading, as with people engaged in sports, is above average, as the people you can find at a gym have stronger commitment with sport activities than the general population. In libraries, there is a great gathering of committed people who interact with professional librarian teams. The task of those teams is to create quality experiences around books and content in general. In this regard, libraries offer two great opportunities to new publishing companies:

On the one hand, mediators create those quality experiences (previously mentioned) which are capable of creating communities and boosting opportunities for a book on the market. Although our publishing sector has never clearly seen this role of libraries, I do believe it is going to be regarded as highly valuable for content marketing companies in the coming years.

On the other hand, a library is a place of learning about reading and readers' (and consumers') behaviour, which is of great value for a startup, since this is the 'high performance centre', where readers gather together. This centre can collaborate as an experimental laboratory for 'just in time learning', which Eric Ries discusses. In this case, the term 'laboratory' means that readers and mediators form a team without any *guinea pigs*, but rather with a community focused on an innovative experience in reading.

**NINA:** You mention that young readers prefer print for 'deep reading'. Do you think this 'deep reading' experience will survive the digital age? Or will it be replaced by a different kind of reading and learning?

**LUIS:** When we talk about 'deep reading' we are searching for a way to distinguish the form of reading that takes place on the Internet – characterised by shortness, brief lapses of attention, fragmentation and a tendency for a functional purpose – from a linear reading, with a long-winded and intensive immersion of consciousness in the text, which is how traditional reading is generally described. I instinctively resort to these simplifications to describe the current behavioural shift, which we are detecting through our research and that has so powerfully caught our attention: despite the fact that many young people use digital technology, they still prefer print books when reading their favourite literary series.

However, we must recognise that reading has always witnessed this mutation as a result of transformations in the socioeconomic and cultural environment. If I paraphrase



an idea of Nikolaus Harnoncourt – explained in his illuminating book entitled 'Music as a speech' – I could say that for centuries we have used the same graphic signs for writing a text, but these texts are neither timeless nor supranational. In this way, this great musician says about music that the 'disorder of our cultural life has changed our way of listening to music so much that we can no longer perceive or understand what Mozart said with his music'.

Currently, this nonstop evolutionary process of change suffers a revolutionary blow with the digital shock, which comes as one huge explosion, because it is the first time that a dissociation between the object and the text occurs: Today, content is liquid-like (expressed in XML?) and can fill containers of different shapes and sizes. In the case of hyper textual content – the one that takes up the most time of younger readers – this fragmentation comes with its ephemeral nature and I think that precisely in this adjective – 'ephemeral' – lies much of the revolution which we are living in and of the discomforts that readers experience in our time.

With Internet, we feel that all texts are inscribed on wax to be then deleted like the tablets that Romans used for educational or domestic purposes or like those 'books of memory' of Don Quixote whom has also been studied by Chartier in 'Inscription and Erasure'. This is likely where the desire to have something permanent to accompany us throughout our life arises and traditional readers like you or myself use the printed book for those specific and fundamental titles, as younger readers of our research study do with their favourite stories.

It is precisely these kinds of feelings, emotions and dynamics that make us think the digital age is not the end for print books as a physical container that confines content, that isolates it and that sets itself apart from the rest of that confusing and endless accumulation of texts. Despite all this and the fact that I am unable to tell the future, a study of the history of reading may indicate that, rather than having a new way of reading and learning to replace the current, we shall continue to witness a transformation that will somehow rescue deep reading in the future. More than a replacement, we may see an opening of the concept of reading to more diverse meanings. Within this context, the readers – at least the more engaged ones – will always need experiences of deep reading. However, I frankly don't know if they will remain linked to the print book – as in my case – or to another sort of solution.

# VALUE CREATION AND VALUE CAPTURE IN PUBLISHING

*“New business models in book publishing:  
An analysis of start-ups and their strategies” (published 2/2014)*

**Nina Anais Klein**

*"Competition is no longer between products and services, it is between competing business concepts." [1] (...) "Companies fail to create the future not because they fail to predict it, but because they fail to imagine it." [2]*  
Gary Hamel

This paper is a slightly updated excerpt of my MBA thesis, which I wrote at the end of 2013 and published at the beginning of 2014. The excerpt focuses on value creation and value capture in publishing, and gives a few examples of how start-ups explore these phenomena. Today, just over a year since the book was written, the situation in publishing has already changed a lot, and I have made an effort to point out the most important changes and open up the field for discussion. You can download the whole thesis following this link:

[http://www.academia.edu/6306101/New\\_business\\_models\\_in\\_book\\_publishing\\_An\\_analysis\\_of\\_start-ups\\_and\\_their\\_strategies](http://www.academia.edu/6306101/New_business_models_in_book_publishing_An_analysis_of_start-ups_and_their_strategies)

## Why could start-ups show the way?

With mass-market e-readers, tablets and smartphones available on a large scale, digitization has reached book publishing as well, after already having conquered other creative industries like music and press publishing. Traditional definitions of books no longer apply, nor do traditional ways of value creation and capture seem to work. "[Publishing is] not a job anymore. That's a button. There's a button that says 'publish,' and when you press it, it's done," [3] says publishing expert Clay Shirky.

If everyone is a publisher, what added value do book publishers bring to the customer – and to society? What are the emerging new business models? To answer these questions, I set out to analyze the business models and strategies of start-ups in the field of publishing. I chose this approach because start-ups can be defined as "organization[s] built to search for a repeatable and scalable business model." [4] They can reveal ways of inventing the future, rather than predicting it.

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[1] Gary Hamel, *Leading the Revolution* (Harvard Business Review Press, 2000), p. 15.

[2] Ibid. p. 120

[3] Clay Shirky, "How we will read: Clay Shirky," interview by Sonja Sarayia, Findings (blog), April 2012, <http://blog.findings.com/post/20527246081/how-we-will-read-clay-shirky>, accessed February 2013.

[4] Steve Blank, "What's a start-up? First Principles," Steve Blank (blog), January 25, 2010, <http://steve-blank.com/2010/01/25/whats-a-startup-first-principles/>, accessed April 2013.

## How to analyze a zeitgeist phenomenon: a few words about methodology

There is a lack of coherence in the research into business models in general. When it comes to book publishing, literature on business models is scarce. This is due to the fact that both digitization and a start-up culture are still relatively new in publishing. Moreover, the economics of the media, and more specifically of the internet, are relatively young branches of economics, [5] having emerged only in the second half of the 20<sup>th</sup> century. Having said this, after the publication of my MBA thesis the Spanish consulting agency Dosdoce.com published a study of “digital business models” in April 2015, which provides a very interesting read. [6]

At the micro level, extensive secondary research using online sources, including trade media, blogs by publishing experts, forums and such like, becomes especially important. As digitization is happening quickly, it is best to analyse changes by looking at online discussions between publishing experts. Using such secondary research, I compiled a list of more than 160 start-ups in the world of book publishing, mainly in the UK, USA and Germany, [7] drawing on my own research as well as a compilation produced by the publishing expert Michael Bhaskar, formerly the Digital Publishing Director of Profile Books and the founder of the start-up Canelo (UK). [8] I combined these secondary sources with qualitative, empirical primary research, consisting of interviews conducted with decision makers and CEOs of start-ups. My questions were distilled from several sources, mainly drawing on Osterwalder and Pigneur’s “business model canvas”, [9] as this best captures the building blocks of business models. I decided to use a qualitative approach because the changes brought about by digitization count as open change – i.e. future trends cannot be explained by patterns in the past. Leaps in technological development will produce leaps in business strategy development. These cannot be measured or foreseen today using quantitative methods.

[5] Wirtz, *Electronic business*, p. 23.; Walter, *Intermediation und Digitalisierung*, 2007, p. 56.

[6] cf. Dosdoce.com, „New business models in the digital age“, 8 April 2015 (english translation from Spanish), <http://www.dosdoce.com/articulo/estudios/3957/new-business-models-in-the-digital-age/>, accessed May 2015

[7] Nina Klein: “Best of publishing start-ups list”, (Document), available from Google Docs, [https://docs.google.com/document/d/1QqkCg4BktD2JC4WEX6JlRMUeLPB4boNz7B\\_aqJGY\\_k/edit?pli=1](https://docs.google.com/document/d/1QqkCg4BktD2JC4WEX6JlRMUeLPB4boNz7B_aqJGY_k/edit?pli=1), accessed May 2015

[8] Michael Bhaskar; Digital Publishing Start-Ups, (Document), available from Google Docs, [https://docs.google.com/document/d/1vcPBUincOjwglQBjq\\_qhMPb9QYitgeyl6gQUMLIhWQUw/edit?pli=1](https://docs.google.com/document/d/1vcPBUincOjwglQBjq_qhMPb9QYitgeyl6gQUMLIhWQUw/edit?pli=1), accessed March 2013

[9] Alexander Osterwalder and Yves Pigneur, *Business Model generation – a handbook for visionaries, game changers and challengers*, 1<sup>st</sup> edition, (Hoboken, New Jersey: John Wiley & Sons, 2010).

# Questions to ask start-ups: What is your business model? Or, what is the story behind your business?

The term “business model” is not used in a consistent manner in literature. Amit, Zott and Massa [10] delivered the most comprehensive – and most recent – overview of the literature defining the concept by selecting and examining 133 relevant articles published between January 1975 and December 2009. They found that the usage and the definition varied widely. They conclude that the business model concept became prevalent with the advent of the internet in the mid 1990s, and was triggered partly by an interest in e-business, i.e. “doing business electronically”. [11] The terms “business strategies” and “business model” can be differentiated by defining “business model” as a reflection of businesses’ strategies. [12] Amit and Zott [13] define a business model as a source of value creation, and they propose four potential sources of value creation which can be mutually reinforcing: 1) Novelty: “disruptive” designs of innovation in the business model; 2) Lock-in: business model features that trigger repeated actions and prevent customers and strategic partners from migrating; 3) Complementary features that enable complementary products and activities; 4) Efficiency. Osterwalder and Pigneur [14] define nine “building blocks” of a business model: [15] customer segments, customer value propositions, (marketing) channels, customer relationships, revenue streams, key resources, key activities, key partnerships and cost structure.

I approached the topic of new business models from a customer-centric viewpoint. The most important question to be asked was therefore: What job is being done for the customer? [16] This uses core functions, understood as value propositions for the customer, to analyze the new business models of start-ups in publishing. Based on the definitions of Janello [17] and of Osterwalder and Pigneur [18], I devised a set of questions to serve as the basis for the micro-level research into start-ups, and for the structured interviews with start-up CEOs and decision makers in the world of publishing. The questions can be found in the table below.

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[10] Raphael Amit, Christoph Zott and L. Massa, *The Business Model – theoretical roots, recent developments, future research*, (Barcelona: University of Navarra, IESE Business School, 2010), p.p. 4 ff.

[11] *ibid.* p.p. 4 ff

[12] “the business model explains how the activities of the firm work together to execute its strategy, thus bridging strategy formulation and implementation”, Amit/ Zott/ Massa (2010), p. 17

[13] Raphael Amit and Christoph Zott, “Value Creation in e-Business”, *Strategic Management Journal*, Vol. 22, issue 6-7, June 2001, p.p. 493-520, here: p. 15

[14] Osterwalder, Yves Pigneur, *Business Model generation – a handbook for visionaries, game changers and challengers*, (Hoboken, New Jersey: John Wiley & Sons, 1<sup>st</sup> edition), 2010

[15] cf. Osterwalder/ Pigneur (2009), p.p. 17 - 18

[16] Christensen, C. The innovator’s solution. Creating and sustaining successful growth. Boston: Harvard Business School Corporation, 2003, p. 74

[17] Janello, C.: Wertschöpfung im digitalisierten Buchmarkt. Wiesbaden: Springer Fachmedien/Gabler, 2010, pp. 30 - 32

[18] cf. Osterwalder/ Pigneur (2009), p. 17 - 18

**TABLE 1:** SET OF QUESTIONS FOR STRUCTURED INTERVIEWS ON START-UP BUSINESS MODELS.

<b>Dimensions of a business model</b>	<b>Questions related to the dimension</b>
Customer value proposition	<p><b>What is the story of your business model?</b> Who are your customers? What is the job-to-be-done for the customer? What makes your value proposition unique, e.g. regarding novelty, efficiency, lock-in, complementary effects?</p> <p><b>What value do you see your business model adding to social welfare?</b> Is it an important goal for yourself or your company to add value to social welfare?</p>
Sources of revenue/ revenue model	<p><b>How is your cost structure modelled to achieve profit?</b> E.g. does your business rely more on efficiency or quantity than on quality? What are the revenue/profit streams?</p>
Value creation architecture/de valor	<p><b>Key resources:</b> What are the most important resources involved in your business? What key activities does your business model focus on?</p> <p><b>Key partners/value network:</b> Who are your main partners, e.g. in supply, outsourcing, complementary businesses, marketing, distribution? Who are your competitors? Where do you stand in the value network and where do you want to move to in the value network?</p> <p><b>What is the main driver of innovation in your business?</b></p> <ul style="list-style-type: none"> <li>- technological trends and expertise</li> <li>- consumer trends</li> <li>- business development</li> <li>- content expertise</li> </ul>

Source: own, based on Amit/Zott/Massa (2010), p. 15; Janello (2010), pp. 30-32; Osterwalder/Pigneur (2010), p. 17-18.

## What does value creation mean?

Value creation can be understood as the difference between the value that consumers get from a product and the net costs of providing the product, including production and distribution etc. [19] Value creation can be analyzed from a micro, meso or macro perspective. At the micro level it can be measured in terms of the profit gained, at the meso level as the total net income of the industry, and at the macro level as the gross domestic product. [20]

Book publishing consists of several core economic activities that add value. These core activities can be described using Porter's value chain theory. [21] However, there

[19] cf. Jost, P.J. "Strategisches Management." in: Bitz, M., Domsch, M., Ewert, R., and Wagner, F. (Eds.). Vahlens Kompendium der Betriebswirtschaftslehre. Munich: Vahlen, 2005. pp. 187-246. Jost defines value as: „Differenz zwischen dem Konsumentenutzen aus dem Kauf des Produkts und den Gesamtkosten für seine Bereitstellung“, p. 191

[20] cf. Porter, M.E. "Strategy and the internet." Harvard Business Review, 79(3), 2001. pp. 62–78, here: p. 68

[21] cf. Porter, M.E. *Competitive Advantage*. New York: Free Press. 1985, pp. 62 - 64

are two limitations to this model. Firstly, it allows only for a sequential perspective on the companies' functions, as it is derived from the prototype of an industrial company, [22] and secondly, it stipulates a clear division between supply and demand. [23] Digitization, on the other hand, allows for direct contact between authors, readers and publishers, thus blurring the limits between content creation and reception – i.e. supply and demand. Also, Web 2.0 allows for interaction on all levels of the value chain, which means that processes in the value chain become more flexible, at times circular, and the “chain” increasingly resembles a value network. [24] Walther (2007) proposed complementing the concept of value creation in publishing by defining publishers as intermediaries in the sense of the transaction cost theory. The concept of intermediation comes from earlier literature on commerce and is rooted in the attempt to find a definition for the achievement of commerce as an intermediary between production and consumption. [25] The economic value of commerce lies in the reduction of the costs of transaction, i.e. it can be measured against the opportunity costs that would arise without the help of the intermediary. These costs comprise financial resources as well as time. [26]

Transaction cost theory allows us not only to explain the value creation of publishers, it can also explain the reason for the existence of companies – and thus also the existence of start-ups in publishing. According to Ronald Coase, [27] companies exist only because the pricing mechanism in free markets is connected with transaction costs, e.g. the costs of contracting or the costs of uncertain relationships with service providers such as suppliers [28] etc. These costs can be avoided if certain processes of the value chain are incorporated into the boundaries of a company and coordinated. A company has thus “two options for organizing its activities: an internal hierarchical structure that integrates the activities into its managerial structure, or a market relationship with external firms. That is, the company decides either to ‘make’ or ‘buy’ the components and services required. The boundary of the firm is defined by the equilibrium between the advantage of lower transaction costs of internal production and the lower agency costs and economies of scale of outside procurement.” [29]

## Value creation in book publishing: the core functions

The core functions of book publishing can be characterized as value propositions, and thus as potential building blocks for new business models, which in turn can be combined and explored by a multitude of start-ups. Digitization leads to an de-bundling of processes and functions that were once bound together in the confines of a single company. The assumption is that whilst some of the traditional core functions of publishers will lose importance, others will assume new importance – and be tested by the emergence of start-ups.

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[22] cf. Janello (2010), p. 13

[23] Walter, B. v.: Intermediation und Digitalisierung. Ein ökonomisches Konzept am Beispiel der konvergenten Medienbranche. Wiesbaden: GWV Fachverlage, 2007, p. 22

[24] cf. Alexander Braun: Buchbranche im Umbruch: Implikationen der digitalen Ökonomie, in: Ökonomie der Buchindustrie, Wiesbaden: Gabler, 2009, p.p. 272 - 292

[25] Walter (2007), p. 47

[26] *ibid.*, p. 49

[27] cf. Coase, R.: “The nature of the firm.” *Economica* 4 (16), 1937, p. 386 - 405.

[28] e.g. the risk of insolvency

[29] cf. Li Feng and Whalley J.: Deconstruction of the telecommunications industry: From value chains to value networks, (Glasgow: Strathclyde Business School), Research Paper (2002/2), p. 7



## I. Content production

This function of book publishing is mostly overlooked in the literature [30] – and also by legislators. The consequences of the latter can be seen in the negotiations for the Transatlantic Trade and Investment Partnership (TTIP), the US-EU free trade agreement. Here, publishing is classified only as a “business service”, which ignores any creativity involved in the process. This means that publishing is not protected under a cultural exception, as are, for example, audio-visual services. [31] Yet a closer look at the publishing process reveals that publishers do contribute to the production of content, for example by commissioning books, something which is especially common in non-fiction [32] and a growing trend also in other genres. Publishers also take part in content production by financing the writing process with an advance of royalties or a flat-rate fee. [33] The editing process can also be counted as a contribution to “content production”. Start-ups like Canelo (UK) [34] or Culturbooks (Germany) are among a range of publishing ventures that stress the traditional core function of content production, and combine it with a strong technological edge, producing “digital only” content. In crossmedia and transmedia publishing, ever more publishers are starting to create their own intellectual property (IP) – either by themselves [35] or through co-production and cooperation arrangements, because digital storytelling almost always involves cross-sectoral teams (game developers, interactive designers, screen/scriptwriters, authors, photographers, coders etc.). This growing trend is illustrated by start-ups like Story Mechanics (UK), with digital adaptations such as “Thirty-nine steps”, [36] or Docmine (Germany) with their factual storytelling “video-books”, a mixture of e-books and films. [37]

Digitization triggers an abundance of content, and this also holds true for the e-book sector. A common “bedrock property of the creative industries” mentioned by Caves [38] is “art for art’s sake”, which means that artists’ motivation to create is not only money, but also the act of creation itself, and possibly the visibility or the relationship with their recipients. [39] “A readily confirmed implication of art for art’s sake tastes is that (...) far more people invest in preparation for careers in creative work than can expect to earn normal pecuniary returns on their investments (...) [therefore] (...) some gatekeeper must judge which aspiring artist displays enough talent that humdrum resources invested in furthering

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[30] Walter (2007) for example defines publishing companies as “intermediaries”, and their core functions as only such that do not change the content substantially, cf. Walter (2007), p. 80

[31] cf. press release „TTIP and Culture“, 16 July 2014, website of the European Commission, Directorate General Trade, [http://www.google.be/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0CCMQFjAA&url=http%3A%2F%2Ftrade.ec.europa.eu%2Fdoclib%2Fdocs%2F2014%2Fjuly%2Ftrade\\_doc\\_152670.pdf&ei=ocZUVcGLEIOasAGB54GoBA&usq=AFOjCNFOsgkFs-u4N7kpHUUJ2Z7aGeFCuw&bvm=bv93112503,d.bGg](http://www.google.be/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0CCMQFjAA&url=http%3A%2F%2Ftrade.ec.europa.eu%2Fdoclib%2Fdocs%2F2014%2Fjuly%2Ftrade_doc_152670.pdf&ei=ocZUVcGLEIOasAGB54GoBA&usq=AFOjCNFOsgkFs-u4N7kpHUUJ2Z7aGeFCuw&bvm=bv93112503,d.bGg), accessed May 2015

[32] cf. the commissioning process at the publisher Bloomsbury, Bloomsbury website, <http://www.bloomsbury.com/us/academic/for-authors/publishing-with-bloomsbury/our-commissioning-process/>, accessed April 2013

[33] cf. Chuck Sambuchino, 11 frequently asked questions about book royalties, Writer Unboxed (blog), <http://writerunboxed.com/2011/11/28/11-frequently-asked-questions-about-book-royalties-advances-and-making-money/>, accessed April 2013

[34] [www.canelo.co](http://www.canelo.co); [www.culturbooks.de](http://www.culturbooks.de)

[35] cf. Bastei-Lübbe, which is probably one of the digitally most advanced publishing houses in Germany, and its recent successes with trans- and cross media genres. It has recently acquired Daedalic Entertainment, a Hamburg-based game developer; Press Release: Bastei Lübbe AG: Bastei Lübbe AG acquiring majority share in prize-winning game development house Daedalic Entertainment GmbH, 16.5.2015, [https://www.luebbe.com/en/news/2014-05-16/bastei-luebbe-ag-bastei-luebbe-ag-acquiring-majority-share-in-prize-winning-game-development-house-daedalic-entertainment-gmbh/id\\_6c9826683ab47ec0e6e-6c49863b9dbf8](https://www.luebbe.com/en/news/2014-05-16/bastei-luebbe-ag-bastei-luebbe-ag-acquiring-majority-share-in-prize-winning-game-development-house-daedalic-entertainment-gmbh/id_6c9826683ab47ec0e6e-6c49863b9dbf8), accessed March 2015

[36] cf. “Thirty-Nine steps”, a digital game adaption of John Buchan’s espionage thriller; <http://thestorymechanics.com/adventures/>

[37] cf. [www.docmine.com](http://www.docmine.com)

[38] Ibid.

[39] cf. Caves (2003), p. 74

it can expect a normal return.” [40] Digitization maximises the “art for art’s sake effect” in that many more people can now become creators. User-generated content (UGC) and so-called “prosumers” [41] are on the rise. [42] Collaborative content production and peer-to-peer rating are gaining strength as new technologies allow for new modes of content creation and curation. Social e-reading platforms, [43] for example, allow for an interactive, real-life experience of reading. This means that publishing services helping authors to self-publish, distribute and promote their works will become more important. For example, self-publishing platforms like Smashwords [44] (USA) or Epubli [45] (Germany) offer not only a distribution platform for self-published books, as well as print-on-demand (PoD) services, but also professional publishing services like editing, marketing and distribution.

## 2. Content identification

The identification and selection of content is one of the most important tasks of book publishers. Picard (2002) describes this as “information gathering”, and Caves (2000) as a “matchmaking” process. This core function helps customers to reduce transactions costs, i.e. the costs of searching for appropriate content. [46]

Matchmaking – i.e. forging direct contacts between users (developers, authors, readers, publishing professionals and advertisers) – will be an important field for new business models. As Walter pointed out, “Value creation also provides an explanation for the development and growth of intra- and extra-networks. Un-bridged gaps in networks form structural holes. Value is created when two individuals/institutions with complementary resources are connected.” [47] This suggests that publishers’ roles can encompass the identification not only of content, but also of complementary partners. There will be a demand for multi-sided platforms [48] that provide for direct interactions between authors, professional publishing service providers, programmers and/or readers. [49] One example is Bibliocrunch [50] (USA), which is a two-sided market place for authors and service providers. It brokers the interaction between a community of rated and reviewed publishers, authors, designers, editors, proofreaders, conversion specialists, marketers and enhanced e-book experts. It also functions as a distributor, with e-retailers as key partners, but also selling from its own website. The key value proposition is to help authors produce high quality e-books, and for publishing professionals to get relatively well paid freelance jobs. Revenue comes both from a commission taken on book sales and from fees for matchmaking and publishing services for both authors and publishing profession-

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[40] Caves (2003), p. 76

[41] the term “prosumer” is a concoction of “professional” or “producer” and “consumer”. It was first introduced by futurologist Alvin Toffler in his book *The third wave*; (New York: Bantam Books), 1980. “Prosumer” denotes a society where products and services become more and more individualized, and modern technologies help consumers to become producers.

[42] Chapter III.5. analyzes the changes in consumer and societal trends in more detail

[43] examples are start-ups like Copia as well as Goodreads or Wattpads. The term “social reading” was coined by publishing expert Bob Stein from the Institute for the Future of the Book (UK), cf. Philipp Jones, “Build conversations around books”; *Bookseller*, July 31 2012 <http://www.futurebook.net/content/bob-stein-build-conversations-around-books>, accessed April 2013

[44] [www.smashwords.com/](http://www.smashwords.com/)

[45] [www.epubli.de](http://www.epubli.de)

[46] cf. Walter (2007), p. 81

[47] Jagdish N. Sheth and Can Uslay, Implications of the revised definition of marketing: From exchange to value creation, American Marketing Association, 2007

[48] cf. Marc Rysman, “The economics of two-sided markets,” *The Journal of Economic Perspectives*, Vol. 23, No. 3, (Summer 2009), pp. 125 – 143, here: p. 125-126

[49] this way, there is a chance that the intermediary function of publishers will be reinforced.

[50] [www.bibliocrunch.com](http://www.bibliocrunch.com)

als. [51] Market research that helps identify valuable content can be done with the help of readers/prosumers. Thus the content identification and selection process is a shared one between publishers and readers, with a minimal risk to the whole publishing venture. The crowdfunded publisher Unbound – otherwise known as United Authors Publishing Ltd (UK) [52] – follows this model very successfully. It is based in London and was started in 2011 by three authors. Unbound is different from other crowdfunding platforms like Kickstarter [53] in that it pre-selects the projects it promotes. It specializes in books and provides professional publishing services for the work in question, once the project has been pledged successfully. Unbound therefore works like a traditional publisher, but with a new financing tool and new technologies. The start-up skims social e-reading communities and self-publishing platforms like ABCTales [54] and Jottify [55] to find new talent. Unbound crowdsources the search for talent, and then crowdfunds the production process.

### 3. Transformation

The process of producing (print) books has already been largely digital for quite some time in publishing, [56] where word processing, layout software and content management systems (CMS) are now the rule. But the production of e-books involves new steps which are all equally important. Firstly, there is the technological process of providing “media-neutral” content, [57] for example as an XML version [58] which allows the content to be used in different media, formats and aggregates. [59] This is followed by versioning (which can mean the production of different qualities of content, e.g. for use with a “freemium” price strategy) and conversion (for example, into different e-book or media formats). The provision of media-neutral content allows for business models based on the contextualization and individualization of content. For example, the start-up Offbeat Guides [60] offered personalized travel guides on the basis of aggregated content. Media-neutral content also makes it easy to sell rights and licences for multimedia-enhanced e-books and thus opens the way to income growth through cross-media cooperation. However, the introduction of media-neutral processes and tools is very costly as it means a considerable adaptation of traditional processes in print publishing. [61] The provision of metadata [62] and keywords is another important part of the transformation process, including the installation of application programming interfaces (APIs) [63] which allow content to be searched, and therefore support data and text mining business models, but also to be widely shared, while retaining

[51] Epubli, Smashwords and Bibliocrunch are all profiled in chapter V of the MBA thesis

[52] Unbound is profiled in chapter V of the MBA thesis, cf. [www.unbound.co.uk](http://www.unbound.co.uk)

[53] Kickstarter; website, <http://www.kickstarter.com/>, accessed May 2013

[54] ABC Tales; website, <http://www.abctales.com/>, accessed May 2013

[55] Jottify; website, <http://jottify.com/>, accessed May 2013

[56] cf. Janello (2010), p. 70 ff.

[57] *ibid.*, p. 71

[58] XML is a successor of the Standard Generalized Markup Language (SGML) and allows a flexible arrangements of elements as well as multimedia elements. Cf. Janello (2007), p. 73

[59] This means a totally different approach from the print process, where pre-press documents often display a proprietary format, as there is a big variety of software systems used in the industry, and no single standards. Cf. also: Thomas Hess, Media companies between multiple utilisation and individualisation: An analysis for static contents, in: Zerdick et al (Eds.): E-merging media. Communication and the media economy of the future, European Communication Council report, Heidelberg/ Berlin: Springer 2005

[60] Offbeat Guides has since closed its offices, <http://www.offbeatguides.com/>

[61] cf. Janello (2010), p. 74

[62] i.e. title, author, ISBN, cover image, short description, long description, categories, and any other useful information that describes the book

[63] the rising importance of APIs for book publishing has been debated in the industry at least since 2013, cf. Nick Ruffilo, Books as APIs: What are They and Why Should Publishers Care?, March 4 2013, in: Publishing Perspectives, <http://publishingperspectives.com/2013/03/books-as-apis-what-are-they-and-why-should-publishers-care/>, accessed May 2015

the metadata provided by the publisher. Current examples of start-ups that focus on the transformation of content and on the management of the publishing process are Bookigee (USA), Bibliocloud (UK) and Readbox (Germany).

## 4. Aggregation and curation of content

The aggregation and curation of content are becoming increasingly important functions of publishers as the abundance of content available on the net grows. Aggregation has traditionally entailed sourcing different articles, e.g. for monographs. Social media, search technologies and the semantic web now support a good deal of automation in aggregation. Human editorial expertise combined with automation opens up new business options. Curation always involves human input, as publishing expert Michael Bhaskar points out: "It's also about personal taste, and individuals' style and judgement. Curation has value precisely because of its fuzziness, its ability to surprise with a flash of insight." [64] Curation in this sense can be equated with the programme or brand of a publisher, which becomes a community building function with digitization. Start-ups like Culturbooks (Germany) take pride in publishing only fiction that caters to their individual tastes, whilst a venture like TED Books (USA) [65] feeds off a community of highly interesting speakers and personalities, and offers short reads in all kinds of areas. But curation also involves editing and layout, and providing tables of content, links and footnotes in scientific publishing. Curation builds on the provision and usage of meta-content for marketing, i.e. metadata for search functionality (SEO), it provides abstracts and video-trailers for marketing purposes – something which is growing in importance as it secures the discoverability of content. Thus the curation function combines technological and editorial expertise.

## 5. Reproduction and preservation

The costs of reproduction in digital times are nearing zero, as copies of digital content can be produced almost effortlessly. Thus, what used to be one of the most important functions of publishers, the organization of reproduction on printing presses, is no longer important in our digital age. However, the costs of preservation (of rights, as well as of content) are rising. There is no safe way to store digital content yet. But faced with the fast-paced changes in formats and technologies, and in hardware and devices, safe storage is becoming even more important. Storage and preservation are therefore important functions of publishers in digital times. [66]

## 6. Distribution and marketing

Distribution is where total disintermediation can happen because authors can sell their works directly to readers. [67] With the abundance of content available on the Internet, however, discoverability [68] has become the new bottleneck constraining access to content. This is making the marketing function of publishers more important. The "information paradox" [69]

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[64] Michael Bhaskar: *The content machine*, Anthem Press, 2013, p. 185

[65] TED Books is a spin-off of the TED conferences, cf. <http://www.ted.com/read/ted-books>

[66] cf. Picard, R. G. "Historical Trends and Patterns in Media Economics." In: Albarran, A. B., Chan-Olmstedt, S. M., and Wirth, M. O. *Handbook of Media Management and Economics*. Routledge, 2005, pp. 23 – 36, p. 36

[67] cf. Janello (2010), p. 83

[68] cf. Evan Schnittman, *Discoverability and Access in Book Publishing*, in: *Publishing Research Quarterly*, June 2008, vol. 24, issue 2, p.p. 139 – 142, Oxford University Press, 2008

[69] i.e. the conflict: The need to attract customers by disclosing information the nature of the content conflicts with the need to retain this information, something which Arrow (1971) called the "information paradox, cf. Kenneth J. Arrow. *Essays in the Theory of Risk-Bearing*. (Amsterdam: North-Holland Pub. Co., 1971), p. 152.

has to be overcome, while at the same time the value of content is maintained. Selling rights of all kinds, from translations to territorial rights, means safeguarding the discoverability of content. It can thus be understood as a function of distribution and marketing. Licensing will grow in importance as multimedia products trigger the demand for cross-media and cross-industry cooperation. Technologies are playing an increasing role in discoverability. Providing metadata and APIs for search engine optimization (SEO) is extremely important (see the core function of “transformation” above). Search engine technologies, data and text mining come into play here, as does social media marketing. Picard (2002) [70] and Walther (2007) [71] are convinced that new business models in distribution and marketing play an important role in publishing, and that new business models will emerge and new players will try to take over margins. These business models range from social e-reading communities like Readmill (Germany), to recommendation communities like NetGalley [72] or Flipintu (Germany), and subscription models like Readfy [73] and beyond.

**TABLE 2: ASSUMPTIONS ON THE CHANGING IMPORTANCE OF CORE FUNCTIONS OF PUBLISHERS,**

<b>Core functions of book publishing</b>	<b>Assumptions about the effect of digitization</b>
Production	Growing importance of publishers in production of content: UGC; crowdfunding and crowdsourcing to be harnessed by publishers as initiators and coordinators of production process (e.g. through the provision of direct contact between user groups: social media platforms, self-publishing platforms etc.)
Identification	New search and filter technologies allow for a degree of automation New tasks: identification does not only involve identification of content, but also of publishing professionals – matchmaking services.
Selection	High quality standards need content expertise/ personal involvement of publishers selection becomes more important with abundance of content, UGC/ self-publishing as a complementary business
Transformation	Technological advances will lead to degree of automatization of this process Rising need for coordination of processes (versioning, conversion)
Aggregation & curation	Rising flexibility of services and products plus abundance of content lead to rising need of aggregation and curation.
Reproduction and preservation	Disintermediation of publishers possible regarding reproduction, which can be done with almost zero costs directly by authors and readers Preservation needs intermediaries to guarantee storage, interoperability, access etc.
Distribution	Long-term: Disintermediation of publishers possible, distribution can be done with almost zero costs directly by authors and readers short-term: differing standards and formats require role of intermediaries.
Marketing	Growing importance of marketing/ discoverability with growing abundance of content

source: own/based on Walther (2007), p. 162.

[70] Picard (2002), p. 38

[71] Walther (2007), p. 96

[72] cf. [www.netgalley.com](http://www.netgalley.com)

[73] cf. [www.readfy.com](http://www.readfy.com)

The comparative advantage of publishing in the print era (reproduction and distribution; providing access to a good that could not be obtained otherwise) is now gone. The internet is quickly becoming the most dominant distribution channel, with word-of-mouth marketing [74] replacing traditional forms of marketing. This means that publishers have to stress other functions in the value network. Their role as “filters for quality”, guaranteeing the discoverability of quality, is becoming more and more important with the abundance of content available on the net. The provision of publishing services to the growing self-publishing market is also an opportunity for emerging business models.

## Where is the money?

### Value capture in book publishing.

Value capture in print book publishing displays economic characteristics that differentiate it from that of other media – and digitization changes most of the economic characteristics in value capture that print publishing displays. Value capture or source of income is by its very definition a building block of new business models, [75] together with the value proposition (core functions) of publishing, which was analyzed in the last chapter. In this section, I will propose several hypotheses regarding potential new sources of income.

A characteristic of the cost structure of print book publishing is the so-called “mixed calculation”. Bestsellers subsidize the production of lesser selling titles. This is due, on the one hand, to the “nobody knows effect”, which “refers to the fundamental uncertainty that faces the producer of a creative good (i.e. the consumer’s valuation of the end product).” [76] Digitization minimizes this effect, as market research for the likes and dislikes of customers can now be outsourced to the customers; in other words, concepts like crowdsourcing come into play. [77] Also, the “long tail” effect described by Anderson [78] means the risks of publishing a work for which demand will be low is diminishing. Every niche will find its customer on the web, eventually, and niches could, with time, become as important as mass markets, as Anderson claims: “In an era without the constraints of physical shelf space and other bottlenecks of distribution, narrowly-targeted goods and services can be as economically attractive as mainstream fare.” [79]

The media in general can rely on several sources of income. Broadcasting or film rely heavily on the advertising market, as well as – at least in the case of the European film and broadcasting market – on state subsidies. [80] Press publishing relies on a two-sided

[74] OECD (18 Dec. 2012), p. 18

[75] cf. chapter II.1.

[76] Caves, R.E. (2003): Contracts between art and commerce, in: *Journal of Economic Perspectives*, vol. 17, no. 2, spring 2003, p. 73-83, here: p. 74

[77] self-published works can be peer-rated by readers on social e-reading platforms, for example. The best-rated works become published professionally. The start-up neobooks, a subsidiary of DroemerKnaur in Germany, uses this business model, Neobooks website, <http://www.neobooks.com/>, accessed May 2013

[78] Anderson, C. (2006): *The Long Tail*, Hyperion, USA

[79] *The Long Tail*, website, In a nutshell: <http://www.longtail.com/about.html>, accessed 4 April 2013

[80] at least in Europe – there are huge territorial differences to the funding of media worldwide.

market, i.e. it caters to two different user groups thereby generating network effects: [81] subscribers (readers) and advertisers (companies). Advertising [82] means selling the attention generated by the product or service to companies. [83] Digitization opens up the possibility of book publishers generating income through two-sided or even multi-sided markets by acting as platforms that offer services and products to complementary user groups.

Print book publishers traditionally rely only on one source of income, the sale of books to readers. The means by which this revenue stream is collected changes with digitization: pricing models closely linked to the new technologies include micro-payments, streaming/pay-per-use, freemium and subscription. [84]

Income from the content itself is traditionally complemented by income from licensing, [85] i.e. selling rights derived from the author's rights. These rights can take many forms, the most common of which are translation rights, territorial rights, merchandising rights or rights for different formats, including paperback or hardcover versions. Digitization opens up a plethora of new licensing options, including rights for e-books, audio books, enhanced e-books with embedded multimedia elements, etc. [86] At the heart of all licensing activities is the concept of intellectual property (IP), which means the ownership of an intangible asset. [87] IP law grants creators exclusive rights, for instance, to edit, copy, publish, distribute and use the different works of their own creation, and to transfer those rights onto others. The relevance of IP to the traditional business model of book publishing is preeminent. Publishers derive their rights to publish etc. from the creator of the work, whose IP therefore stands at the centre of the value network of the publishing industry. Digitization changes this, as it becomes more and more difficult to protect and enforce IP rights. The assumption is that the variety of sources of income will grow with digitization, as illustrated in Table 4 below – though does not necessarily apply to the overall net income at the industry-level. [88]

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[81] network effects can either be positive, because with a rising numbers of readers the medium becomes more attractive for advertisers, yet they can also be negative, as a rising number of ads/ advertising companies might disturb readers and discount the medium's quality of content. On network effects in general cf. Janello (2010), p.p. 37 - 40

[82] cf. Dreiskämper (2013), p. 13

[83] advertising can entail a wide range of formats, e.g. not only banners, but also corporate publishing, "branded content", product placement, promotional events, referral and affiliate marketing and others.

[84] cf. the study by Dosdoce.com, „New business models in the digital age“, 8 April 2015 (english translation from Spanish), <http://www.dosdoce.com/articulo/estudios/3957/new-business-models-in-the-digital-age/>, accessed May 2015

[85] licensing for distribution (territorial rights) as well as for translation, but also ebook rights and merchandising make up for a considerable amount of income in the traditional publishing business model, cf. Lynette Owen, *Selling rights*, 5<sup>th</sup> edition, (Oxon, UK: Routledge), 2006

[86] cf. Lynette Owen, *Selling Rights*, 2010

[87] cf. Miller (2000), *Intellectual*

[88] Janello (2010) states that experts expect significantly lower prices with e-books, at a maximum of 70% of the printed version, cf. *ibid.*, p. 160



**TABLE 3:** POTENTIAL SOURCES OF INCOME – A COMPARISON BETWEEN PRINT AND DIGITAL BOOK PUBLISHING.

<b>user groups/ customers</b>	<b>sources and forms of income print media/ books</b>	<b>sources and forms of income digital media/e-books</b>
users/readers/ customers/B2C	Idirect income:: <ul style="list-style-type: none"> <li>- book sales</li> <li>- subscription (book clubs, membership charge)</li> </ul>	direct income:: <ul style="list-style-type: none"> <li>book sales</li> <li>subscription</li> <li>membership charge (periodical)</li> <li>licensing per usage (non-periodical, including streaming)</li> <li>crowdfunding</li> <li>crowdsourcing</li> <li>Content as a Service: e.g. community building: fees (events, one-to-one services like consulting etc.)</li> </ul> indirect income: <ul style="list-style-type: none"> <li>- selling of complementary products</li> </ul>
companies/B2B	<ul style="list-style-type: none"> <li>- licensing/selling rights</li> <li>- corporate publishing/ publishing services</li> <li>- advertising/marketing</li> </ul>	direct income:: <ul style="list-style-type: none"> <li>- corporate publishing/ publishing services/ provision of "branded content"</li> </ul> indirect income: <ul style="list-style-type: none"> <li>- advertising</li> <li>- licensing/data &amp; text mining</li> <li>- licensing:</li> <li>- content syndication/ provision for co-publications</li> <li>- tickets/ events/conferences</li> </ul>
publishing professionals (authors, editors, layouts etc.)/B2B		<ul style="list-style-type: none"> <li>- fee/commission: matchmaking services, consulting services</li> <li>- licensing/software as a service, e.g. publishing software, data mining/ sales reports</li> </ul>
government/business support institutions		<ul style="list-style-type: none"> <li>- subsidies</li> <li>- competitions/prizes</li> </ul>

Source: own, Janello (2010), p. 107.

A morphological box which combines the most important drivers of innovation in business models – technological and consumer trends – can help us infer possible new core functions and methods of value capture for publishers. The potential core functions of publishers are then filled in, together with potential sources of income. We can assume that these are the areas in which publishing start-ups will be most active (cf. Table 5 below).

**TABLE 4:** POTENTIAL NEW CORE FUNCTIONS AND METHODS OF CAPTURING VALUE FOR START-UPS IN BOOK PUBLISHING AT THE INTERSECTION BETWEEN TECHNOLOGICAL AND CONSUMER TRENDS.

TECH TRENDS / CONSUMER TRENDS	Modularization/ Contextualization/ Individualization  Media capacity (compression, size of devices)  Mobility & Interoperability (mobile, cloud computing)  Automation  Search Functionalities/ HTML5/ Semantic Web  Etc.
Attention age	Identification and Production: - Provision of high quality Multimedia Content, Cross- and Transmedia Storytelling, Visual Storytelling/ Infographics Content Curation & Aggregation Prescription/ Storage ("Read later" services, conversion services, storage services) Marketing & Distribution: - Ensure discoverability of content for readers - Ensure discoverability for companies by content: Provision of "Branded Content", Data Mining and Licensing - Cross-media Licensing (e.g. for multimedia cooperations, merchandising); Provision of Plat-forms: Social Media Community Management
Participation: Age of Pro-sumers	Production: - Crowdsourcing of content Production and Identification: - Provision of Self Publishing Platforms, Social E-Reading Platforms, Publishing Services for authors or companies (including consulting) Identification: - Market research via crowdfunding, peer-to-peer review and ratings Marketing & Distribution: - Community Management, Provision of platforms
Participation: Donor-Culture	Production: - Funding of content by Crowdfunding - Refinancing of existing content via micropayments
Participation: "gift economy"	Value capture: - Freemium business models - Advertising
Individualization	Content Curation and Aggregation: - Serialization, Customization, Unbundling & Rebundling, Tailored content (content "snippets", work-in-progress) Reproduction and Preservation: - Print-on-Demand (PoD), "Read later", Storage, Access access-based business models: - Subscription models/ Flatrates/ pay-as-you-read etc / Licencing
Individualization	Content Curation and Aggregation: - Serialization, Customization, Unbundling & Rebundling, Tailored content (content "snippets", work-in-progress) Re-production and Preservation: - Print-on-Demand (PoD), "Read later", Storage, Access Access-based business models: - Subscription models/ Flatrates/ pay-as-you-read etc / Licencing Licensing (lending of e-books instead of owning)

Source: own.

# **PARTNERSHIPS BETWEEN LIBRARIES AND STARTUPS FOR INNOVATION**

**Luis González**

## Two Factors for the Ecosystem Change in Reading

The book industry is affected by the spread of digital technology, as are virtually all other industries. However, it has been impacted in a specific, more profound way, similar to what has happened to other cultural industries. Indeed, the digital economy has led to shifts in production processes and content marketing. From the standpoint of those who work at the Germán Sánchez Ruipérez Foundation (hereinafter FGSR, its Spanish abbreviation), the intensity of these changes has stemmed from transformations in readers' behaviour rather than a change on the supply side. Nevertheless, it is clear that the cultural practice transformation has been caused by stimuli in a digital context, and the way in which technological and cultural industries are processing it, respectively.

When Nina Klein and I began writing this text, we thought it would be interesting to focus on very specific aspects of these transformations: the value proposition of publishers and the shift in consumer behaviour amongst readers and their relationship with libraries' new role. In my opinion, Nina's work on *book startups* is the most useful read I have personally come across regarding the opportunities this transformation generates for the book industry.

This text is neither a defence of printed books versus digital ones, nor the other way around. In recent years, FGSR has been working in an environment that withstands significant digital influence on reading-related matters. In 2008, the most commonly-held opinion in Spain was that digital format was virtually irrelevant and had no future in the context of the publishing market. After the appearance of all kinds of marketing platforms for digital books as well as the rise of the e-readers market, a certain consensus was reached, wherein digital media was considered a threat more than anything else. Lately, scepticism has been revived in a rejoicing manner, expressed in the form of regular information on the decrease of digital book sales on the market.

Analysing these issues goes beyond the scope of this essay. However, we must recognise the fact that we still believe e-books are the most important factor that has been changing readers' behaviour for a long time.

Most of the present-day analyses on the matter focus on the threats the book industry is facing, here, however, we shall leave out the global challenge posed by digital media for a value network in which there was previously a unity between content and the physical medium. Referencing the challenges is surely necessary in the context of the proposals outlined here regarding new companies' ideas, as well as the various alliances that can be entered into at this juncture. Alliances, quite expectedly, refer to partnerships between libraries and book startups.

The digital format challenge is similar to that of any changes in a production model, but today, it appears to be taking place at a different speed. The steam engine and electricity transformed every industry in such a sequence that change would come to a particular sector, once it had previously been completed in others.

In the case of digitalisation, it appears that transformation occurs almost simultaneously in all industries and processes. With regard to the publishing industry, digitalisation has been implemented gradually, since it was first applied a few decades ago in the control system, then in information management, the production process, and, eventually, it was extended to logistics and other aspects of the book supply chain. However, the general perception is that it spread almost suddenly. Why does the process appear to have been so fast before our eyes? Perhaps it is because of the speed and ubiquity with which the transformation took place, when digitalisation reached readers directly back in 2007, with the launch of Kindle. So, a dynamic has been put in place, where consumers are, as usual, first passive and subsequently active agents in the marketplace.

This line of reasoning, however, is not the purpose of this paper; nor will it be possible to develop a hypothesis to explain the causes of this 'acceleration'. Although, we can at least pinpoint two of its arguments:

- The object. The emergence of a device enabling digital reading has been fundamental. This object has turned something immaterial into tangible reality. Historically, people have identified object and content with one and the same term (book) in the case of print. Similarly, in certain countries, including Spain, readers refer to their electronic reading devices as 'e-book', using the English term.
- Mobility. Digital reading has been growing on a massive scale on computer screens for many years, but through our FGSR research we have found a strong and important psychological force in the new devices amongst readers – the possibility of carrying a personal library wherever they go.

If we read the preceding sentence again, we may note that, inadvertently, we have been finding challenges that digital reading poses for the publishing world and libraries, whose management and solution are analysed here.

## The Sugarcubes or Björk

When we were teenagers we would go to a store and buy the new album of Elvis Costello, Kraftwerk or The Sugarcubes because someone had announced it on a radio station in the weeks between its release in another country and its arrival at stores in Spain. Afterwards we would go home, listen to the music and then store it in a cabinet with the rest of our record collection. Today's teenagers are all online at the same time and everywhere in the world. Whenever something new is released, they buy it immediately and save it on their cloud library. Both younger people and we ourselves have much cultural content stored in online libraries, with which we can access and listen to Björk from any of our devices.

We have often read and heard that what matters is not the medium but the content. Whilst it will be useful to discuss this issue later, we should now focus on the transformations that have led to an array of changes in consumers' experience, coming from the Internet and digital world.

The implications of these changes are relevant to publishers, bookstores, record stores, distributors, radio stations and libraries alike. In this context, it is worth asking

questions such as: What happens to physical spaces for sale or access? What type of ownership or possession is being offered to the reader? What are the terms of exchange or economic dependence in this new value chain?

## Library and Un-Library

The FGSR also operates within this new landscape. Ten years ago, we started seeking answers to certain questions that arose. This was essential when the organisation decided to take on the most important project since its inception in 1981 – opening a new centre in Madrid.

What are the necessary components to ensure that a place – dedicated to reading – remains useful and survives throughout the 21st century? Back then it was still 2004, but we knew we had not thought of using all of the seven or eight thousand square meters of space only for storing books or giving access to print content.

Most librarians have been aware of this for a long time and their professional expertise has generated many new definitions as to what can be regarded as a library. However, over ten years ago, the term 'library' entailed a range of implications, at various levels, which we were interested in avoiding. I recall a response given to me during an informal conversation, in 2004, with the person in charge of a library system. He was interested in grasping what was meant by that (rather negative) statement that most of the space at the new centre was not to be used for storing books. His answer or explanation was that 'what happened to cinema and music will eventually happen to books due to the impact of digital technology'.

The idea of *Un-library* had much to do with the need to build a laboratory for experiences, endowed with the greatest possible degree of freedom to seek innovations without being obliged to provide permanent public service, but rather stay focused on management of innovation projects along with readers. This explains why, back in 2012, it was inaugurated under the name: Casa del Lector/International Centre for research, development and innovation in reading. Today we are beginning to see how the road of this experimenting centre both crosses and coincides with that of libraries that have also taken new paths.

In fact, another one of the FGSR centres is a public library (opened in 1989 in Peñaranda de Bracamonte, a rural town with 6,800 inhabitants) and a case in point. In 2009, a few years before the opening of Casa del Lector, FGSR launched *Territorio eBook* – a programme for experimenting and research that is still active to this date (2015). This programme has given us a wealth of information helpful not only to further define what 'we are going to do', but also to undertake quests for finding new realms and working hypotheses in order to respond to digital challenges.

*Territorio eBook* and Casa del Lector were similar in a way that they set the focus on readers. Research on digital reading has opened up new lines of experimental research of which we had not even suspected, when designing the programme in 2009. We have launched various *spin-offs* that are all geared towards a range of different areas: amongst others, we have started experimenting with an e-books library lending system, content renting plans, reading comprehension, cooperation between libraries and families, management of *transmedia* storytelling, generating non-print reading content, as well as promoting, identifying and spreading readers' creativity [1]. The 'elegant solution' we are

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[1] Cordon, JA; Carbajo, F; Gómez, R; Alonso, J (Coords.) Libros electrónicos y contenidos digitales en la sociedad del conocimiento [González y Valbuena. A prueba de futuro: la investigación de la FGSR. P 305-325]. Ediciones Pirámide (Madrid, 2012). ISBN: 978-84-368-2769-9

ultimately looking for; through all this wealth of hypotheses and 'utility models', is to draw up a proposal for a new public library.

Before we discuss this proposal and its relation to products and services that the new book value chain will offer, it is convenient to look back on the difficulties of a present-day reader in a context of transformation, such as we are beginning to live in.

## Reading Mutation

Contrary to what has been said over the years by opinion moulders and in speeches of some all too important government officials in charge of cultural issues, it seems clear that the medium issue is quite relevant.

PISA reports are famous for the data they collect on the ranking of students from different countries, according to scores obtained on tests. However, much more interesting are the emerging trends and hypotheses, usually set in the findings of such studies. In this sense, hypertext reading is as relevant as the challenges it entails, since most of the reading today is increasingly done over the Internet.

Such reports highlight the higher level of complexity in reading on the Internet and the need for more extensive expertise in the field of 'information literacy' and reading comprehension. If we add their conclusions to numerous studies on reading over the Internet and on the neural effects of multitasking, it appears clear that the relationship with knowledge acquired from this type of text is different from that of the linear and cumulative reading offered by printed books.

Many of us believe we need linear reading when we want to gain complex, profound and long-lasting knowledge, which would allow us to build on the cultural capital we have accumulated from previous readings. Many people feel that the current landscape will destroy the ambitious or deep meaning of reading, posing numerous threats. Our working hypothesis is that new ways of reading need not destroy old ones, much like how our 'old-fashioned' way of reading never wiped out previous methods of learning.

To review the concepts we have touched upon and try to make them more explicit, we may conclude that we are working with four major ideas:

- Experience and ways of reading are always contingent and have been changing over time.
- In the present context, various forms of reading can coexist and be chosen in accordance with their functionality
- The materiality of the object on which reading is done greatly influences the nature of the reading experience as well as the relationships with other media and subjects that can be generated
- Reading can be understood, in a broader sense, as that which refers to text

Nowadays, reading is said to have been altered as a result of the impact of the digital world, as if that experience had not come as a result of previous changes. Let us think about what it means to replace verbal speech with a written text on a scroll, then to replace those texts on papyrus with codices. It is much like the emergence of a written reflection of a word, sentence or paragraph compared to previous books where everything appeared unseparated before the emergence of punctuation. It is also much like the advent of silent reading as opposed to public readings, like printed books, distributed in thousands of copies, as opposed to scarce manuscripts before the emergence of modern typography and pocket books.



It is true that we live in a time of confusion as a result of the speed and intensity of changes; but this is also an exciting time when one can devise new work schemes. One of the factors that creates most uncertainty is the dematerialisation of books. It affects both the book industry and libraries.

Roger Chartier [2] places emphasis on the fact that in the first treatise on the art of printing, written in vernacular by the printer Victor Paredes Alonso from Madrid in 1680, there is a distinction between *content*, which is equated with the soul, and what has been 'printed well in the press, clean and tidy, that you can compare with an elegant and graceful body'. Rationally we are aware of the difference between a book as a purely material object and a book as discourse (Kant). However, as readers we find it hard to emotionally detach both categories that have been inextricably linked for so long.

Digitisation allows us to perceive this dissociation between content and object in a more intuitive way. Readers who participated in our experimental programme on digital reading state they look for a different experience in each type of device.

## The Story of Carmen and Her Librarian

During a follow-up meeting of the research programme on digital reading, I happened to speak to the director of the FGSR centre in Peñaranda de Bracamonte, Javier Valbuena, who has been instrumental in turning this project into a success. He told me that a lady, named Carmen, a habitual user of libraries that participate in our trials on digital reading had gone one day to say goodbye to the librarian: her children had given her an e-reader as a present, so she would not need the library anymore.

In our view, perceptions like Carmen's are based on a profound misunderstanding about what a library actually means. These devices can store many books but could not replace the functions of a public library, nor the set of services and experience it offers. This statement, however, will not stop many people from seeing reality just as Carmen does. Nor does the statement underestimate the transformative power of reading practices, generated by new agents outside the traditional realm of books.

We must recognise that the technology industry has been the unwitting driving force behind many types of new reading behaviour that are emerging at present. The advent of some *e-readers*, portable and with the capacity to store hundreds of books, poses challenges for libraries, especially if libraries are conceived of as an institution whose sole task is to facilitate access to content. The first participants in the FGSR research were elderly people. When they used such devices, they began to talk about changes in reading habits and new emotions. In the first section, the vast majority agreed on the extension of times and places for reading. In the second, there were comments in focus groups and one-to-one interviews that alluded to a sense of control and power.

If the advent of such devices has led to challenges for libraries and for the industry as a whole (such as the difference between perceived value and price of electronic books or the ease of illegal copying), tablet-type devices have led to other challenges of a different nature: e.g. those related to hypertext reading, multimedia content and, above all, the *disruption* or continuous disorder in the reading experience, caused by other processes in the digital device, most notably from media. From my point of view, the most radical

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[2] Chartier, Roger. Escuchar a los muertos con los ojos. Lección inaugural en el Collège de France. Katz Editores (Madrid, 2008). ISBN: 978-84-96859-30-2

change in the reading experience caused by the digital world is precisely elements linked with communication capabilities that many of these devices incorporate (tablets, phones or computers).

The observations we have been making over these six years of research on digital reading (*Territorio eBook*) have led us to the belief that the aspect of reading as an act of communication is enhanced when digital media give us an experience of an *online* [3] book, as it may be addressed by mere explanatory purposes.

Amid the technology industry, the most important players, who are based in the West Coast of the United States, hold ideas that question the meaning of the work of the so-called 'intermediaries'. 'Utopias' such as the Web 2.0 proclaimed the futility of intermediation. Hence, the work of an editor, a bookseller or librarian was, at best, perceived as dispensable, as unnecessary in a context where readers could directly access content. On previous occasions we have already described the consequences of this process [4] which, far from leading to 'disintermediation', is proving to be a replacement system of intermediations, where the conventional editor or librarian is replaced by Silicon Valley and Amazon. In this essay, we propose a defence of traditional intermediation or mediation as a way to enable readers to access a variety of new texts without the iterative 'to your liking' mechanics of search engines or suggestions based on 'your previous purchases' – and, above all, reach new meanings for books.

If we ventured into making a taxonomy of books and readers, on the one hand, and publishers or startups in the new book value chain, on the other, the proposed alliance should take place between the most curious or experienced readers and the less common books. This also applies to small businesses, rather than to the realm of *mainstream* or big companies.

The transformations the digital world brings along are threats or challenges, but this discussion has drawn the attention to the opportunities they offer for the affirmation of a new role of libraries. Thus, there are possible partnerships between these conventional mediators of reading – driven by innovative projects – and companies that also take advantage of the strong ties with libraries and readers.

## Innovation in Practice

As Nina Klein explains it, innovation arises at the intersection of demand or need (Klein: *desirability*) amongst consumers or public policy-makers, feasibility (technological trends) and viability (business models). Many of the companies trying to revamp their proposition are startups that come from the tech field. Others, however, are the result of ideas launched by new small publishers, or even by innovation departments or certain divisions of large publishing houses.

In the early stages of the pilot project *Territorio Ebook* we found that desire stood ahead of feasibility, so we had to come up with solutions that can be called 'digital DIY'. If we did not have the type of object or content we wanted to present to readers, we were forced to create a prototype (e.g., as in the case of *enhanced* reading). In terms of viability, we were drawn back even farther away: to carry out research on reading of a given novel in digital format back in 2009, we had to negotiate with one of the major publishing hous-

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[3] Ortega, Cristina y Bayón, Fernando (Coords.). El papel del ocio en la construcción social del joven. [González, Luis. Lectores conectados en un nuevo mercado digital de libros. P. 139-161]. Deusto (Bilbao, 2014). ISBN: 978-84-15759-43-0

[4] Arroyo, Natalia y González, Luis. Pinterest para bibliotecarios. Textos Lectyo de la FGSR (Madrid, 2013).

es in Spain to send us the text in PDF format and upload it on 50 e-reader devices for a focus group of readers and in exchange, we had to purchase fifty print copies.

In recent years, we have seen many new proposals and most of them have not been as successful as their promoters had hoped. Even a non-profit organisation like ours has invested in solutions for social reading in its libraries, which later had to be abandoned (such was the case of the Readmill application, for instance). The reasons why new products are not successful can undoubtedly vary greatly. However, in cultural industries, it is most commonly attributed to the lack of adequate information on market needs, customers (in this case, readers) and demand.

We, on the other hand, have also developed applications that are based on our insight into the needs of readers and teachers. In this production process of digital solutions (such as [www.lecturalab.org](http://www.lecturalab.org), [www.canallector.com](http://www.canallector.com) or [www.lectyo.com](http://www.lectyo.com)) we have found a very successful reception. Audience numbers exceeded our expectations in all cases. This, however, did not prevent certain surprises as:

- Unintended uses and recipients: sometimes a priority target public was planned upon but eventually the growth was much higher than expected in a given geographical (Latin America) or professional area, such as universities. Some of these users made an unexpected use of a platform and prioritised functionalities to which not so much effort was dedicated, as in the case of less used ones. Having this information whilst in the development phase is very interesting.
- Unnecessary developments: elements or improvements of applications that were considered essential yet subsequently turned out to be much less used.

Regarding the latter, the questions that arose were: how many hours of programming could we have saved if we had not undertaken the development of this new functionality? Why did we put so much pressure on both analysts and programmers for this functionality if only 1% of users actually use it? Why were we so obsessed with providing this functionality, extending the execution timeframe for numerous days, if so few people seem to find it 'sexy'?

The answer always lies in mismanaging our most important resource – time.

## Just-in-Time Learning

In 2011, Eric Ries published 'The Lean Startup' [5], a book that consists of an analysis seeking to set guidelines to keeping a constant process of innovation in order to lead companies to success. It has come to be the most recognised vision in contemporary entrepreneurship literature. Here we will use one of Ries' ideas that refers to 'excess capacity', which, as he notes, many (mainly technology) companies waste away 'wildly' because they lack a coherent paradigm for the new digital economy. In particular, very relevant to the case of digital books is the idea of 'validated learning'. It is a process in which, rather than making complex plans based on a large number of initial assumptions on what customers want or need, a dynamic is adopted in which constant adjustments are made through a development-evaluation-learning cycle.

The most relevant part of book startups is a reflection on learning; since it is in this context where we find the two variables our proposal relies upon:

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[5] Ries, Eric. The Lean Startup. Portfolio/Penguin (London, 2011). ISBN: 978-0-670-92160-7

- The publishing industry should get to know the readers much better; it must be concerned with its audience's desires and habits much more than it has been so far.
- Publishing companies have a great opportunity to partner with public libraries, as they harness an ideal environment wherein the knowledge regarding readers' desires lies.

During these years, I have spoken to many people who came to propose a new model for the publishing business; I have tutored master's thesis projects concerning digital editing; I have had working sessions with founders of startups for editing or marketing e-books. In many cases, I have met entrepreneurs fully convinced to have found the philosopher's stone of the new book value chain. However, I have not been able to share their certainty regarding ideas that seemed unrealistic to me. In most of these situations, two problems come to the forefront: first, a lack of contact with the current reality in the publishing business; and the second lies within a one-sided attitude: Every great idea to attract readers is inherently successful. However, the viability of a company is not based solely on the 'goodness' of an idea, but also on the quality of information at the starting point, financing schemes, distribution channels, and factors that mark the difference between success and failure.

To understand the possibilities that libraries bring to a publishing startup, we can remember Ries's failures as an engineer in a digital development company, which focused more on enhancing new features or solving 'bugs' of the product rather than finding out whether customers really needed or wanted it. Eventually, they discovered rather late, or way too late, that nobody was going to spend money on that idea. If manufacturers of sneakers ask athletes for their opinion on the usefulness of their prototypes, it seems wise for the book industry to visit places where they will find *highly dedicated readers* – namely, libraries.

This proposal, evidently, does not suggest that a startup, which wants to launch a new value proposition, go to a library to hand out a questionnaire amongst readers. It has already been mentioned that we should not decide what the reader wants; however, neither do we imply asking the readers directly what they want or like. The goal is to learn about what it is that readers want.

## Learning in Libraries

The context of reading mutation and shifts in readers' behaviour is a variable that introduces a great deal of uncertainty for both public reading services (libraries and policies promoting access to culture in general) and companies planning on providing products and services to readers.

Libraries that want to remain a vivid and attractive cultural offering for citizens share the same uncertainty with publishing startups in the new book value chain. Advancement in this field can be achieved by using a well-known approach from the field of marketing and business:

1. Do readers know they have a need that we want to cater to?
2. If we could offer a solution, would they buy it?
3. If there were indeed a market, would the consumers buy from us?
4. Are we able to develop this solution in a sustainable way?

The exciting thing at this moment is that the library becomes an ideal strategic and operational learning area. This learning must be the fruit of experimentation, as previously mentioned. It does not serve our purpose to just ask readers about their behaviour; instead we must learn about their behaviour by working with them. Those of us who were responsible for the launch of the study on reading habits and buying books in Spain, held every year since 2000, must recognise that asking people whether they read books and the remaining questions give only limited information. Survey respondents provide convenient responses on their reading behaviour. This, however, does not bring any information on what they actually do, want or reject as readers.

Our job is to observe and understand readers' behaviour. This is how the Public Library of Peñaranda de Bracamonte, managed by the FGSR, has been operating for years. In addition to being a model for an innovative library since its founding in the 1980s, it has been selected amongst the '20 Experiences of Excellence' within the new economy of Spanish public administration by the School of Industrial Organisation [6].

## Deciding on Experiment Participants

In our research programme, *Territorio Ebook*, many different experiments have been undertaken since 2009. Amongst several others, we have carried out the following: we have tested the validity of strategies of library teams to increase motivation for readers to enjoy different texts; many commercial applications have been proven appropriate for an e-book lending system; results have been measured on the level of reading comprehension as a result of library campaigns; and we have tested the most effective techniques for integrating conversation into the individual reading experience.

These experimental projects, as well as the remaining ones, have been carried out according to a sequence. Not only is this sequence valid for the evaluation of procedures in a library, but it is also applicable to tests in real time for the design of a product or service of a startup.

When is this learning sequence to be performed? We must remember that the objective of this learning is none other than to enhance the design of our project. We are to prioritise efforts/endeavours in terms of time and budget, or even to decide on the visibility of the idea and its possible withdrawal. As this information should be acquired when it is less costly and easier to make a decision regarding the redesign or reorientation of a product or service, the sequence should begin as soon as the experiment is relevant, in order for the service or product to stay as true to market reality as possible.

The learning sequence begins with a selection of the appropriate key players: the readers. But what type of readers? Accurately responding to this question is key to ensuring the usefulness of the experiment's findings. When we work on launching a library service to lend out e-reader devices (2009), the elderly population segment was chosen with the aim of determining:

If there should be demand: Do readers really need these devices?

If we were able to offer those services with an assumable cost, keeping in mind the possible needs of training on how to use the devices or the foreseeable workload of fixing technological glitches or maintenance.

We chose to work exclusively with readers of these ages over a period of four months because in this case, we needed to juxtapose the project with the target demographic,

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[6] Sectores de la nueva economía 20+20. Administración y competitividad. EOI (Madrid, 2011). ISBN: 978-84-15061-22-9.

which, at first, seemed to be the most complicated one and with a highest level of demand. The aim was to make a decision on the service and set design features with the highest quality and security possible. If, before making the decision on the investment, we had limited ourselves to asking only – do you want us to provide a lending system for e-reader devices with pre-uploaded books? – the great majority would have answered yes. However, it was more worthwhile to refer to certain variables obtained in the experiment:

- Did they really use the devices? Did they spend more time reading since they got e-readers?
- Did readers of this age group start using this new technology with ease or was it necessary to invest a great amount of effort in training sessions? Was it necessary to launch a stand-by service for solving technical issues?

The information obtained during these months was not only extremely valuable for efficient decision-making in these areas, but also very useful in proposing the possibility of participating in more experiences. What is the most substantial test we can have on the acceptance of a service if all participants volunteer for a second phase or vice versa? We must also stress the power of factual evidence on opinions in a questionnaire or from a focus group.

Therefore, the type of participant to be chosen depends on the nature of the proposal to be studied. It seems logical that, if what you want to find out is if there is interest in a new proposal, whether a library service or a value proposition of a startup, you should choose readers who are not yet entirely convinced. A mistake that many technology startups have often made is to conduct a market test with biased and committed participants. For instance, they would test a socially-oriented app with geeks and users eager to get ahead of the rest of consumers, as they would make much greater efforts than an average consumer, who is more likely to give up at the slightest difficulty or demand for taking on a more proactive role in a study.

On the other hand, these types of proactive and generous participants, known as early adopters, are very suitable if we are looking for alternatives for developing new features or additional services. Their suggestions and dissatisfactions are a goldmine for defining specifications for the user experience and lead to significant improvements in given modules and applications.

## A Recent Case in Point: lectylab

The FGSR had decided to innovate for its proposed online training for regular readers (mostly families) and professionals dedicated to reading and books, such as librarians, teachers and publishers. After an assessment on previous experience and market analysis, it opted for the O-edX software, which happens to have a ‘first-class developer’ – the Massachusetts Institute of Technology. This would allow us to predict a long-term evolution where we would simply have to continue incorporating subsequent updates in already robust software. Over the software, however, we developed a layer of numerous variations, since the goal was to transform, through our own development, the ‘university-oriented’ approach into a professionally oriented one for e-learning.

In a preliminary phase, the market was studied in order to determine whether there was a need for more adequate or better solutions for readers and publishing professionals. From that point onward, it was necessary to define the relevance of our hypotheses in order to decide whether they were valid as well as on the changes to be implemented.

We then focused learning on the design phase and improved the platform through research with two different groups of participants:

1. In order to discover the degree of acceptance of the tools and the type of use given to one or the other utilities, we performed a beta-test with several groups:
  - Families from a library in a rural setting (Peñaranda de Bracamonte). The group of readers has a socio-cultural profile similar to the national average.
  - Families who are users of Casa del Lector (Madrid) that boast cultural capital and a relationship with reading higher than the national average.
  - Two groups of teachers from rural and urban areas, with no major differences between them in terms of patterns of cultural behaviour.
2. In order to identify utilities and services that are not critical or improvements for the user experience, we worked with professionals from the training and creative industries. In fact, most of the participants involved in the content generation for the application were content creators, educators or media creators.

Whenever a startup, any company or organisation undertakes research of this type, it aims to validate or disprove a hypothesis about a value proposition. In this case, the hypothesis which we needed to learn more about was if families who want to encourage reading at home and professionals working with reading and books needed a value proposition such as lectylab: a platform through which they can have access to workshops with a series of videos (1 hour to 1 ½ hours in total, split into short videos of 2-5 minutes) anytime and anywhere as well as learn at their own pace and independently.

The workshops would deal with specific aspects and innovative approaches for families (how to tell a story with the appropriate pace for a baby) or professionals (Pinterest for librarians or how to be a BookTube teacher for teenage students) so that students can learn how to use a specific tool once the course is completed – how to build a bathyscaphe in the classroom like that of Jules Verne's. The way to assess learning is to give a specific example and share it with the community on the platform. For instance, in the case of a workshop for making homemade musical instruments to accompany children's bedtime stories, you need to post an instructional video to show how it is done.

The model of design and management of this platform ignores the concept of student groups, tutors, forums and radically breaks away from all those metaphors with which e-learning has tried to virtually reproduce the learning experience from a physical space: virtual classroom. This model is based on *selfpace learning* and assimilation without overlooking the fact that students are on their own up against a computer or tablet and they can decide on the pace of their own learning.

## Towards an Alliance between a Startup and a Library

In this case, lectylab is a project of FGSR but it may well have been the product of a startup company that intends to cause a disruption in the e-learning market such as we have seen over the years: through a change in the teaching method, the value proposition, customer experience and, ultimately, the business model.

It is important to remember that this research project does not consist of a traditional pre-test in which we ask users about their opinion; it is an experiment carried out along with readers. The first group consists of about 300 people who enjoy a training



process through an e-learning platform that is fully operational and in no way do they perceive it as a software application test. We have launched a platform which allows users to experience reading as part of a demanding process of revitalisation of family reading experiences in the library and at home.

With this procedure, we did not want to run a focus groups or interviews but, instead, collect information from the analytics of the platform itself on the following: the frequency of use, most used features, level of success of the tool to post projects and the most commonly used time slots. With this information, our library teams will work, in the biweekly sessions they conduct, to gauge the progress of the learning process and any of the indicators obtained through their direct relationship with the families.

Undoubtedly, in the case of lectylab, we see something like the God, Janus, from Roman mythology, because we find two faces on the same head: a startup and a library. If lectylab had been a new product of a startup, the information collected in the library would have been of great value to determine the interest of the proposition amongst its target audience. In addition, we would see the soft spots or adoption issues as well as prioritizing efforts on the most relevant aspects. The library, in turn, would be making available to users a new service and a learning opportunity, tailored to their needs, in order to generate innovative programmes for enhancing their reading experience.

## Learning Priorities for Libraries and Startups

Given the contingent nature of reading, shown so clearly at present by the evolution process, it is reasonable to suppose that in each period there will be some aspects of the act of reading that may be more important as an object of learning.

In the micro-scale perspective analysed by Nina Klein [7] in her brilliant thesis, certain areas for startup propositions have been identified, such as self-publishing, branded content, 'augmented reality' books and financing via *crowdfunding*. From that point onward, we obtain a typology of business models and strategies in order to define a new scenario brought about by the 'internet economy' in creating value in editing. I believe it is very interesting to relate the results of that micro approach with the other two types of analyses (macro and meso) in order to obtain a very detailed picture of the moment of transforming effervescence in the world of books and reading.

The FGSR experience can complement that vision from the standpoint of the transformation in readers' behaviours. We are 'obsessive' observers of these behaviours as well as of the public and creative spaces where they are developed: libraries.

## Learning about Business Models: 24Symbols

One of the results of the learning and experimentation process that FGSR has been carrying out for seven years (Territorio Ebook) has been the Nubeteca project, in collaboration with the public administration – Diputación Provincial Badajoz – which is responsible for a network of public libraries. The working plan has two aspects: one is the

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[7] Klein, Nina. New business models in book publishing: An analysis on startups and their strategies. Hochschule für Oekonomie & Management. (Frankfurt, 2013).

rich and innovative set of reading experiences and access to content; and the other is to experiment with a digital library model. With regard to the latter, the Nubeteca project involves a test on several business models in a number of public libraries.

The Nubeteca project works with three different content acquisition systems: licences, downloads and subscriptions. In fact, it is the first time that a subscription model is being incorporated into Spanish libraries, with the help of the company 24Symbols. It will allow members of public libraries in the province of Badajoz to obtain a subscription for a month, renewable for another, and have access to nearly 10,000 titles. The Madrid startup 24Symbols was a pioneer when, in early 2011, it introduced something revolutionary to the world of books that was already well known in the music industry. That is why many often call it 'The Spotify of books'. Our organisation always paid close attention to this model and we incorporated it into our digital media. At that time, despite the great scepticism with which it was viewed, we wrote on [www.lecturalab.org](http://www.lecturalab.org): 'Inspired by the model of the Swedish company Spotify for music, a group of young Spaniards designed 24Symbols, a platform for reading e-books online with no need for downloads, which is, according to them, "the answer to everything that is happening and that is yet to come"'. It is therefore pleasing to note the subsequent emergence of services like Kindle Unlimited, Nubica or the signing of an agreement between this Madrid-based startup with Facebook and the opening of an office in New York.

Nevertheless, it is much more exciting to have taken up this collaboration because readers are going to experience a new way of accessing books and managing their personal libraries. For both FGSR and 24Symbols, this is a great opportunity to monitor the functioning of this framework, thanks to the tracking tools that are being introduced. Through a project of this kind, a startup like 24Symbols will be able to attain much more valuable information to make decisions on targeting the library market and introducing the most interesting features for readers.

It becomes clear that, at first, 24Symbols' business model had not even considered public libraries to be an interesting market. This is actually normal for two reasons: because it involves a very innovative approach associated with end-users and because libraries themselves are reluctant towards any solution that does not involve acquiring ownership. We believe that by participating in this project, 24Symbols is gaining a better understanding of the peculiarities of the library market. Our participation can help the startup better adjust certain procedures that had been set for a general situation, to make them more efficient and appropriate for the library service. This way, the company can develop a new competitive edge.

As it has been mentioned earlier, there are 10,000 titles available to readers of Nubeteca project's library system. This figure is in great contrast with the number in Spain as a living catalogue of publishers on the market – 200,000 titles. For us, this figure is actually very positive because we value more the 10,000 that are available than the 190,000 that are not. We must bear in mind just less than two years ago, the number of available titles was zero. At the moment, one hundred publishers have already joined in, whilst it was said that no publisher would be interested in working with a subscription system.

The other interesting takeaway is to understand which business models are viable for the company and sustainable for the library. It has been a very interesting journey; it has led to a price of €2.50 that the library will pay for each monthly subscription; €0.40 that members of book clubs will pay for unlimited access, regardless of concurrent readers – compared with €9 of other offerings in the market. From the libraries' standpoint, this price can mark the difference of whether or not to accept this cost (if we consider the economic reach of the difference per thousand users).

## Social Reading

Remember Alberto Manguel in *A History of Reading* [8], which the FGSR had the honour of editing in Spanish, along with Alianza Editorial: *Letters of Pliny the Younger*, in the beginning saying 'I have become outraged by a reading at a friend's house...'. The cause of Pliny's anger was that those who had heard the reading of a text 'did not open their mouth'. Manguel clarifies that the proper behaviour would have entailed some kind of a critical response from listeners 'that would help the author to improve the text'. Reading has always been an act of communication between authors and readers; and in many cases, the other way around, and, of course, amongst readers themselves.

Nonetheless, in this case, the intersection between the desire of readers and the feasibility provided by technology comes into play. The third variable necessary for the rise of innovation is economic viability. In the Nubeteca project, we can find another useful example for understanding the concept of *just-in-time learning*, referring to solutions for the integration of conversation with books. Nubeteca is also working with another startup called Odilo to incorporate this into the e-lending system management software.

Odilo, a Madrid-based company oriented towards innovation and library services, is being implemented on a global scale: it is adopted in library systems of various US states and present in various markets such as Australia, New Zealand and, of course, Latin America and Spain. It participates in the Nubeteca project not only as a content provider but also as a technology partner in a learning process to improve services of both companies and libraries. According to its CEO, Rodrigo Rodriguez, it is a challenge to innovate and build a new model of the public library.

We can also note in the case of Odilo that there is a performance analysis of various solutions for marketing and distribution issues. Odilo provides more than 1,500 titles for library lending; both materials for download (28 downloads per title with no expiration date) and licensed materials with a validity period of 26 months, through a 40,000-euro investment. In other words, it operates with two different business models to offer readers access to over 75,000 titles. It also allows new titles to be added throughout the year, corresponding to 25 percent of the investment. Nearly one hundred publishers in total are involved in this project, which will increase each year and receive a results evaluation of the process.

Along with this aspect which is being studied, the alliance between the participating libraries and this startup sheds light on a very important part of our experiment: how to effectively integrate the conversation into the reading experience? With regard to this matter, working with readers is crucial, once again, due to their multiple uses of the platform and identification of needs. In a way, the library becomes a catalyst and translator of priorities, needs and preferences of readers. It serves as a forum for dialogue with the startup in the field of technical provisions or requirements.

The aim of the library is to integrate tools for discussion, taking notes and sharing with the rest of the readers using the programme for reading of books. The idea is to be able to retrieve data and set statistical analytic measurements that would enable us to generate very valuable information that libraries may use to develop proposals, such as the one for the publishing sector we are advancing.

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[8] Manguel, Alberto. *Una Historia de la lectura*. Alianza Editorial. (Madrid, 1998).

## Customer Loyalty and CX

Another area where progress has been shown is in terms of the experience of readers inside and outside the library vis-à-vis the digital medium. For some time now, companies have greatly refocused their attention and budgets on improving the CX ('customer experience') across all channels. The 'Customer Experience Expectations and Plans' report contains data showing annual increases in staff and resources that companies employ in strategies to enhance customer experience. One of the areas that has been growing the most is research on questions as: How does the customer perceive our service? What factors contribute to customer trust and loyalty? What makes our service worthwhile and what value do we generate in the eyes of our customers? All of these questions go along with special emphasis on text analysis, i.e. studies on conversations in social media.

A few years ago we realised that a critical factor for evaluating the interest in digital reading (not to be overlooked by libraries) was providing a quality and simple reading experience. In 2013, we invited Chris Platt to help us learn about the initiatives of New York libraries to tackle this challenge. We realised we had been struggling to achieve similar goals in libraries in rural areas since 2010. We subsequently published an e-book in the same collection in which Chris brilliantly and articulately outlined the initiative 'ReadersFirst [9]', undoubtedly a beacon for anyone who wants to understand what librarians need to do for readers in the field of e-book lending systems.

It is safe to say that, today, readers' experience with library e-book lending can really be improved: supply shortage, difficulties resulting from Digital Rights Management (DRM), incompatible or restrictive conditions and, above all, lack of unified access to contents. Access is fragmented in terms of distribution platforms and proprietary systems or devices linked to publishing groups.

We are convinced that there is room for startup businesses in finding the solution for this issue: How can all the technological and contractual conditions be made perfectly transparent for readers?

From the Nubeteca programme, we have taken on the challenge of looking for solutions for these setbacks, because we surely run the risk of having readers look for their own solutions outside commercial channels and libraries: in the P2P networks. If we want to engage and earn the loyalty of the reader, we must first guarantee that the experience of a relationship with the e-book integrates basic functionalities and operates in a comfortable and simple way.

Along with Odilo, we have been working on a solution that would integrate access to content, regardless of publisher, type of contract or other legal matters (downloading, licensing and subscription) or of the last supplier. This startup is experimenting with a system of gateways amongst different suppliers – as well as other startups – and integrating systems with consumers' social reading behaviour.

There is also a more formal challenge concerning readers' experience: preventing the lack of care and formal elegance in the digital presentation of a text. For those of us who appreciate a well-drawn font and highly value the art of typography, the moment of a 'jump' from mechanical to digital technology is analogous to the jump from handwriting to mechanical writing. This moment of transformation is captured in a very beautiful text written by Erici Gill, published in 1931. He praises traditional arts that were disappearing at the time in the book publishing industry, as well as horror facing industrialisation. Yet, there is also a defence of the opportunity for the mechanic to enhance formal quality: 'It is, however, desirable that modern machinery should be employed to make letters whose

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[9] Platt, Chris. La estrategia de préstamo de ebooks de la Biblioteca Pública de Nueva York. Textos Lectyo (Madrid, 2013).

virtue is compatible with their mechanical manufacture [10]. There is a certain irony in the fact that the font *Gill Sans* is in the repertoire of our text processors, it is also the type of font in which the friendly and patient readers take in these lines (that is, if they haven't changed it on their reading device). Libraries can create a contrast of formal quality in books and channel the voice of the experienced readers towards new book publishers and startups.

## The Relationships between Content: Cross-Media Storytelling

There are two elements in this new game: *transmedia* or multimedia publishing; and cross-media experience generating, either personally or through the library.

Every day, there are more and more publishers of transmedia, from the digital productions of *Penguin* to websites such as *Pottermore*. In the case of multimedia, we find a range of apps such as the excellent edition of *The Waste Land* by T.S. Elliot by *Faber & Faber*. These are, however, concrete examples of how the industry is still looking to make way for a viable business model. Many of the startups we know today focus on the use of technologies that will allow the relationship between text and audiovisual content, or between augmented reality and narration.

But when the industry fails to provide solutions to even run a test or carry out a pilot programme, then the innovative library – the one that works like a startup and aspires to be a reading laboratory – is forced to do some *digital DIY home improvement*. This took place also in some phases of the Territorio E-book research, in which FGSR teams have carried out a publishing work by combining texts and audiovisual resources. This is valuable considering that our team is not even approaching the limit proposed by Bezos: the two pizza rule [11]. For example, this was carried out in collaboration with the famous Spanish novelist Lorenzo Silva, where a multitude of additional resources were added (mostly videos) in the e-book version of his novel *Niños feroces* (in English: *Fierce Children*). Thanks to the collaboration with the publisher, it was possible to access an iPad version of the text to install links to videos from Leni Riefenstahl, which are directly related to the storyline. In another format, our teams also 'enhanced' novels like *Lágrimas en la lluvia* (in English: *Tears in the Rain*) by Rosa Montero, through websites and using other Internet applications, in collaboration with the novelist herself.

In terms of delivering cross-media experience through the work of librarians, FGSR's research experiments illustrate the direct relationship between cross-media narrative (or cross-media storytelling) and fostering loyalty amongst readers – enrichment of content by readers and licensing.

If we focus our attention on the primary aspects of experiences, on which the library team has worked to create around a book – using a range of approaches, including theatre performances, workshops, conversations with authors, film and comic book versions, and even 3D printers – we can deduce two possible findings:

- There is a direct relationship between loyalty amongst readers towards the library, a specific narration or a given author and the efficacy of the 'edition' carried out by the librarians in such cross-media experiences. These experiences are not re-

[10] Gill, Eric. An essay on Typography. Sheed & Ward (London, 1931).

[11] Schnidt, Eric and Rosenberg, Jonathan. How Google Works. John Murray (London, 2014): 'The two pizza rule which stipulates that teams be small enough to be fed by two pizzas'

plicable outside the given library space. They are similar to experiencing live music or theatre performance, where book clubs played a central role. Therefore, such experiences cannot be replicated through mechanic or digital media; nor are they subject to pirating.

- This field is favourable for cooperation between startups and libraries, both from the perspective of an experiment or pre-test and for marketing and licensing.

This latter aspect relates to the following synopsis.

## Library: Discovery and Licensing

Libraries can find their place in the future as centres that generate experiences for readers through stories. They can be a place for highly dedicated readers, who are restless and yearning to discover books that are not bestsellers. From the standpoint of a non-librarian, it becomes ever more evident every day that libraries are not a space for the *mainstream*, but rather for finding new texts and content in general. On the one hand, it appears as though publishers do not correlate 'great books' with being available in digital formats and library lending services (lately this term does not refer to books by Faulkner, Woolf, Flaubert, Calvino or Vargas Llosa, but rather to titles with massive sales). They take many precautions and apply many delays in their incorporation into the library lending system; thereby representing a possible distrust amongst publishers, yet, at the same time, their presence is massive and across all sales channels. Perhaps libraries are not the natural environment for bestsellers and must specialise in more demanding works, or the works of younger authors and the reinterpretation or recovery of the classics.

These fields can be fruitful for small publishing houses with innovative and risky proposals. Such partnerships should be of interest to publishers inasmuch as they stem from the proven ability of libraries to create communities. In the experimental projects of FGSR, it has been observed that working with a particular book title has led to distinct and dynamic fan bases for certain authors. Such fans influence wider online communities of readers to share and discuss their opinions about books.

## Recovery, Content Aggregation and Self-Publishing

We are keen on collecting the creative force and generosity of readers to offer them the most effective and visible channel possible. Libraries have made progress in the area of building collections created by readers. These collective efforts often target the creation of archives (as Madrid libraries do with the programme for collecting old photographs for digitisation and publication) or the impressive projects that an exceptional librarian like Julie Lynch carries out at the Library of Chicago with the *Collins Diaries* or photographs of immigrants.

In our case, we have developed various ideas in this field. The most recent one is 'Territorio Archivo', which operates from a non-fiction context to build common narratives that give meaning to any social, cultural, economic or historical reading for local residents. This project is carried out in collaboration with the Fundación Cereales in order to encourage citizens of Peñaranda to build an archive of films, photographs and

documentaries. Its objective is to retrieve narratives that support the relationships between people from the community.

In addition to these type of strategies, we have been encouraged by readers' behaviour to turn to integrating reading experience and writing, in the most literal and traditional sense of the term. In the framework of experimenting with digital reading, we have seen a reading transition being produced, active participation in reading clubs and generation of comments and licensing towards writing. Reading and writing are an inseparable entity, or one may also argue that writing is another way of reading.

Finally, it has also been found that libraries can be active agents in capturing the talent of many library-goers so that their works may become available in the collective catalogue of any library system. This is what has been set forth in the context of Nubeteca through the addition of a self-publishing tool.

We think that a contemporary look towards reading turns the incorporation of self-publishing strategies at a library into something that falls under its own weight. It is a logical idea to provide a platform that gives a voice to all those who have something to say. If reading is an act of creation, writing extends it for those who also want to showcase their experiences, ideas and stories.

In this area, our project has integrated the platform for book clubs and book lending with the services of Bubok, a startup company that was initially dedicated to self-publishing books but currently offers conventional publishing services. This startup will include books written by readers into the e-book catalogue that are to be read and commented on in libraries participating in the project.

Moreover, with this agreement, the startup will apply a 10% discount on its services for authors who publish their works and are members of the participating library system. Thanks to Bubok, authors will be able, if they so wish, to add their works onto online sales platforms so that their books can be available to readers around the world. This will provide access to locally themed readings for many people who, being from the province of Badajoz or interested in local issues, are in different parts of the world.

For a company that also wishes to be an organisation for learning, the information gathered from a collaboration like this one can be of great value. In addition to licensing and creating communities with local authors, this startup is a publisher, a new type of publisher, which has, as Andrew Keen describes in his 'The Cult of the Amateur [12]', the irreplaceable vocation of a publisher to identify talent.

Along with the interest tied to the publishing functions of identification and selection of talented authors, a scheme like the one that has been launched will generate a large amount of qualitative data to orient the work of companies. Partnership between startups and libraries are likely to generate great flows of information. The following summary pertains to this matter.

## Information, Fragmentation and Royalties

One of the taboos in the library realm is economic transaction in one sense or another. But today it seems clear that there is an increasing possibility for libraries to generate budgetary resources thanks to data generated by its regular business.

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[12] Keen, Andrew. The cult of the amateur: How today's internet is killing our culture. Doubleday (New York, 2007).



In this field, roads towards cooperation can be paved between libraries and start-ups, once the rules and guidelines are set in each library system to respect privacy through *anonymisation* and fundamental ethical mechanisms and guarantees [13] are put in place for a correct management of big data tools. Along with the advance in production and utilisation of this information, a movement of fragmentation is beginning to take place. In the case of books, such trends are both parallel and necessarily interdependent.

The physical 'book' still has its appeal, whilst digital media allows for the possibility of fragmentation. This clearly occurred in the music business, but today it is also advancing in the case of books along the lines of identifying pieces, fragments and on occasion, digital objects such as autonomous content or IP (intellectual property) units. This implies the possibility for downloading, purchasing and – of course – personalised lending regarding the entire work (for example, selling or lending book chapters)

The library is a natural environment for the collection of data and the aggregation and consolidation of information concerning large networks. However, it can also provide more sophisticated mechanisms for managing existing lending systems with a more granular content, linked more to the reader rather than to the books.

This obviously favours the emergence of agreements with copyright holders for settlement by consumption of IP fragments. This area is interesting for propositions of new businesses that are based on gratuity schemes combined with *freemium*.

## The Relationship between Innovation and the Time of Books

The term 'innovation' appeared 33,000 times in annual and quarterly reports of US companies in 2011 alone [14]. Innovation of tech companies seems to not come as much from the invention of new technologies as from the unprecedented combination of existing ones. This concept is apparently preached at the Apple University at the company's headquarters in Cupertino. Innovation startups may have become oxymorons. Perhaps for this reason, Jason Pontin, editor-in-chief at the MIT Technology Review, published in November 2012, an article entitled 'Why we can't solve big problems [15]'. Pontin was referring to a feeling shared amongst many in Silicon Valley that something bad had happened to our ability to solve important problems of mankind since the Apollo programme in 1969. The summary of these ideas would be that the Internet is good but not a breakthrough: 'We wanted flying cars, instead we got 140 characters'.

The fundamental criterion we use to consider any new technological proposal to be 'innovation' is its usefulness. The person who will ultimately determine whether something is useful or not is obviously the reader.

In the field of digital books and reading, the term 'innovation' appears frequently alongside the term 'threat'. This concept is linked to others such as decadence, superficiality and irrelevance or devaluation that are constantly applied by the traditional realm of 'high culture'. At FGSR we always try to work with a long-term perspective and apply this to the reality of reading. In this sense, a look at history helps remove drama when we

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[13] See chapter 9 of the book by Mayer-Schönberger, V. and Cukier, K. entitled *Big Data*. HMH (New York, 2013).

[14] Kwok, Leslie. You call that innovation? Wall Street Journal. (New York, May 23, 2012). The exact number is 33,528 times.

[15] Potin, Jason. Why we can't solve big problems. MIT Technology Review <http://www.technologyreview.com/featuredstory/429690/why-we-cant-solve-big-problems/>

remember the *threat* posed by writing in Athens of Pericles, the replacement of manuscripts for printed copies and the emergence of new genres of 'inferior' quality. According to Chartier [16], speech nearly becomes 'medical' in the eighteenth century when they spoke of the 'physically disastrous effects of the capture of the reader by fiction'.

However, the 'incremental innovation' that tech industry succumbs to with its successive versions, updates and obsolescence should not blind us from seeing that the timeframe of these innovations is very short. Nor should the short amount of time of these changes justify the fact that they are considered irrelevant to readers' patterns of behaviour. It can be said that there are different recombinations at such a rate that a human being is still unable to process them efficiently. We need time. A combined look at the Internet of Things, big data, wearables, augmented reality and other new technological advances shows that more time is required to give meaning to these various new combinations.

This dynamic goes along with the trend toward total occupation of people's leisure time in the consumption of one type of content or another. As Julius Wiedeman – director of Taschen digital – said, 'We do not compete with other publishers of art but with companies like Starbucks, Zara, Apple, Air France or Audi. We all want the same thing: people's time [17]'. In this state of mental saturation by technologies and content, a wide range of new ideas, companies, formats and media compete for the attention of consumers. A majority of them is deprived of their defences, becoming fruits ready to be 'harvested [18]' by others.

A certain amount of time is required to internalise knowledge derived from information that generates a cognitive overload. There is also a pace to absorb the *Critique of Practical Reason* or *Bucolics*. That is the pace proposed by books. It is the reader who interprets and experiments with a text by reading at a certain 'tempo' – at a brisk or leisurely pace, in the company of others or alone and 'unplugged'. In libraries around the world, readers are becoming increasingly stronger and millions of highly dedicated readers are providing libraries, publishers and companies with further insight which allows them to better understand the meaning of books and select adequate support, according to the object held by each reader. An industry dedicated to content should understand, in its own interest, the value of not only knowing readers very well but also learning and collaborating with them.

In conclusion, the proposed innovative partnership between libraries and startups implies a certain recovery of the idea of what a library is and its *raison d'être*. The idea of readers gathering together to take part in a collective learning dynamic, as in the libraries of Ancient Rome (such as the *Villa dei Papiri* in the Herculaneum) or the monasteries of the Middle Ages, is essentially a seminal element of the library institution: 'It is a curious irony that often it is only at such transitional moments, when something was a 'given' begins to give way to something new, that the previous order can be seen with new clarity and purpose [19]', regarding the comments as reflected by Ivan Illich on *The Didascalion* by Hugh of Saint Victor.

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[16] Chartier, Roger. *Inscribir y borrar: Cultura escrita y literatura* (Centuries XI-XVIII). Katz Editores. (Buenos Aires, 2006).

[17] Interview by El País (Madrid, June 16, 2011): [http://cultura.elpais.com/cultura/2011/06/16/actualidad/1308175201\\_850215.html](http://cultura.elpais.com/cultura/2011/06/16/actualidad/1308175201_850215.html)

[18] Crawford, Matthew. *The world beyond your head. How to flourish in an age of distraction*. Viking - Penguin (London, 2015).

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