

# **The Future is Unwritten**

## **E-Publishing in Small Nations of Europe: A Comparative Approach to Policy Frameworks and Small Business Strategies**

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## Declaration

This thesis is presented in accordance with the regulations for the degree of Doctor of Philosophy and is the result of my own independent work. The work has not been submitted for any other degree or professional qualification. None of the material associated with this research has been published elsewhere yet.

Date: 30.03.2021

Signature:



## **Abstract**

Digitisation, together with the spread of the internet, has initiated a transition phase in publishing. This transition not only affects the production process but also the way of communication, the product itself and its distribution. International corporations have entered the digital marketplace and transformed the whole publishing network. Research has shown from an industry perspective that digital disruption forces established firms to adapt in order to capitalise on new opportunities digital technologies offer and to survive in an increasingly complex and competitive global environment. However, whilst the impact of digital technologies and their potential for disruptive innovation in publishing has been studied in a wider industry context, there is a lack of comparative research focusing on smaller markets and how legal frameworks, language market and firm size affect the ability of publishing houses to adapt and the adaptation process itself. Hence this thesis investigates the impact of digitisation on small trade publishing houses in three small nations in Europe with differing market characteristics: Austria, Scotland and Slovenia.

To investigate how strategies, mind-sets, market characteristics and policy frameworks shape the ability of publishers to innovate and adapt their publishing practices, the business model was chosen as a framework, which allows a study of this adaptation to digitisation holistically, at the firm and industry level. Following an explorative approach, in-depth qualitative expert interviews were conducted and triangulated with market statistics and secondary sources.

The findings show that small publishing houses in small nations seem to profit from an international and multi-channel storytelling strategy with a focus on publishing in English online. Moreover, an entrepreneurial mind-set, especially when encouraged by adequate national cultural policies, is crucial for innovation while legacy procedures fail to encourage adaptation. Hence extensive business model innovations originate at the fringes of the publishing industry while most established small publishing houses focus on incremental business model innovations.

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## Table of Contents

List of Figures .....	iv
List of Tables .....	v
List of Abbreviations .....	vi
I. Introduction .....	1
I.1. Orientation.....	1
I.2. Rationale .....	4
I.3. Conceptual Differentiations .....	6
I.4. Research Objectives .....	6
I.5. Scope .....	8
I.6. Research Questions.....	9
I.7. Thesis Structure .....	10
II. Digital Publishing.....	11
II.1. Digital Disruption .....	11
II.1.1. Patterns of Digital Transformation.....	13
II.1.2. Change or Die: The Handling of Disruptive Innovations by Established Firms ..	18
II.2. Digital Publishing in Europe – A (R)evolution .....	21
II.2.1. Market Overview .....	21
II.2.2. Legal Frameworks and Policy Debates in E-Publishing .....	22
II.2.3. Summary – State of E-Publishing Research in Small Nations .....	25
III. The Business Model Concept, Business Model Innovation, SMEs and Entrepreneurship .....	27
III.1. Theoretical Foundations.....	27
III.2. The Business Model Concept .....	28
III.2.1. Origin and Development of the Term .....	29
III.2.2. Business Model Definitions and Approaches in Literature .....	31
III.2.3. Components of a Business Model .....	35
III.2.4. Value Creation and Value Creation Networks .....	38
III.2.5. Business Strategies vs. Business Models .....	40
III.3. Business Model Innovation .....	41
III.4. Business Models in Book Publishing .....	43

III.4.1.	Emerging E-Publishing Business Models in Book Publishing .....	46
III.4.2.	Summary – State of Business Model Research in Book Publishing.....	51
III.5.	Small Business Theory and Entrepreneurship.....	52
III.5.1.	Small Business Research .....	52
III.5.2.	Characteristics of SMEs.....	54
III.5.3.	Innovation and Entrepreneurship in SMEs .....	55
III.5.4.	Summary – Implications of Small Business and Entrepreneurship Theory for the Book Publishing Industry in Small Nations .....	62
IV.	Research Methodology.....	68
IV.1.	Researching the Publishing Industry in Europe – the Challenges.....	68
IV.2.	Theoretical Framework and Critical Perspectives.....	69
IV.3.	An Overview of Qualitative Social Science .....	70
IV.3.1.	Research Philosophy: The Theoretical Paradigms.....	70
IV.3.2.	Research Paradigm: Qualitative Methods .....	72
IV.4.	Research Strategy: Case Study Research .....	75
IV.4.1.	Research Design: Multiple-Case-Design .....	76
IV.4.2.	Documentation and Processing of the Conversations.....	84
IV.4.3.	Empirical Results and Analysis of the Cases.....	86
IV.4.4.	Comparative Analysis of the Case Studies.....	86
IV.5.	Grounded Theory for Policy Research.....	87
IV.6.	Limitations .....	88
V.	Research Findings.....	90
V.1.	E-Publishing in Large Language Markets in Europe: The Cases of Austria and Scotland .....	90
V.1.1.	The Publishing Industry in Austria.....	90
V.1.2.	The Publishing Industry in Scotland.....	126
V.2.	E-Publishing in Small Language Markets: The Case of Slovenia.....	167
V.2.1.	Market Overview .....	168
V.2.2.	The State of E-Publishing .....	171
V.2.3.	Business Models and Innovation .....	173
V.2.4.	Policy Frameworks and Funding for the Publishing Industry.....	188
V.2.5.	Summary – E-Publishing Practices in Slovenia and Policy Debates.....	194
V.3.	Summaries of Findings .....	196

V.3.1.	Comparison – E-Publishing in Austria and Scotland and Policy Debates .....	196
V.3.2.	Summary – E-Publishing in Major Language Markets in Europe .....	198
V.3.3.	Summary – E-Publishing in Small Language Markets in Europe .....	200
V.4.	E-Publishing in Small Nations in Europe: A Comparative Analysis .....	201
V.4.1.	Impact of Digitisation on Small Publishing Houses - Business Model Innovation .....	202
V.4.2.	Long-Term Strategies .....	205
V.4.3.	Policy Frameworks, Funding and State Support for the Publishing Industry....	206
VI.	Conclusion .....	209
VI.1.	Research Objectives & Summary of Findings .....	209
VI.2.	Outlook & Recommendations .....	214
VI.3.	Limitations and Further Research .....	218
VI.4.	Where do we go from here?.....	220
	Bibliography.....	222
	Appendix 1: Conceptual Differentiations .....	237
	Small Nation.....	237
	Small and Medium Sized Enterprise.....	239
	Digitisation and Digitalisation .....	240
	Innovation and Entrepreneurship.....	241
	Technological Change and Disruptive Innovation.....	244
	Electronic Publishing.....	245
	Storytelling.....	246
	Book Culture.....	246
	Business Model.....	248
	Appendix 2: Call for Study Participants .....	250
	Appendix 3: Questionnaires .....	252
	Appendix 4: Study Participants.....	258
	Appendix 5: Additional Research Material.....	268
	Appendix 6: Coding Framework .....	273

## List of Figures

<i>Figure I-1: Research Context</i> .....	6
<i>Figure III-1: The Business Model Canvas</i> .....	36
<i>Figure III-2: Business Model Definition including Business Model Components</i> .....	38
<i>Figure III-3: The Value Chain of a Firm according to Porter</i> .....	39
<i>Figure III-4: Value Creation System of the Digitised Book Market</i> .....	47
<i>Figure III-5: Implication for Research 1 – Managerial Attitudes</i> .....	63
<i>Figure III-6: Implication for Research 2 – Areas of Innovation</i> .....	64
<i>Figure III-7: Implication for Research 3 – Resource Limitations and Market Size</i> .....	64
<i>Figure III-8: Implication for Research 4 – Innovative Capabilities</i> .....	65
<i>Figure III-9: Implication for Research 5 – Regulatory Framework</i> .....	65
<i>Figure III-10: Implication for Research 6 – Incumbent Inertia</i> .....	66
<i>Figure IV-1: Process of Building Theory from Case Study Research</i> .....	76
<i>Figure IV-2: Triangulation Process</i> .....	81
<i>Figure IV-3: Process of Case-by-Case Data Processing and Analysis</i> .....	84
<i>Figure V-1: E-Publishing Business Model in Austria</i> .....	124
<i>Figure V-2: E-Publishing Business Model in Scotland</i> .....	165
<i>Figure V-3: E-Publishing Business Model in Slovenia</i> .....	194



## List of Tables

<i>Table III-1: Definitions of the Term Business Model</i> .....	31
<i>Table III-2: Emerging Digital Business Models in Book Publishing</i> .....	48
<i>Table VI-1: Outlook and Recommendations</i> .....	215
<i>Table A-1: Quantitative Definition of SMEs</i> .....	239

## List of Abbreviations

- AI – Artificial Intelligence
- app – Application
- ASP – Average Selling Price
- B2B – Business to Business
- B2C – Business to Consumer
- BM – Business Model
- BMI – Business Model Innovation
- bn – Billion
- cf. – confer (Latin for ‘compare’)
- CS – Creative Scotland
- ECJ – European Court of Justice
- e.g. – exempli gratia (Latin for ‘for example’)
- ePub – electronic publication (e-book file format .epub)
- EU – European Union
- FEP – Federation of European Publishers
- FMA – First-Mover Advantage
- GfK – Gesellschaft für Konsumforschung (German market research institute)
- GNP – Gross National Product
- GT – Grounded Theory
- HVB – Hauptverband des österreichischen Buchhandels (Austrian Publishers & Booksellers Association)
- ibid – ibidem (Latin for ‘in the same place’)
- ICT – Information and Communication Technologies
- i.e. – id est (Latin for ‘that is to say’)
- incl. – including
- IP – Intellectual Property
- JAK – Javna Agenci Za Knjigo Rs (Slovenian Book Agency)
- KDP – Kindle Direct Publishing
- Mil. – Million

MIT – Massachusetts Institute of Technology  
MK – Mladinska Knjiga (Slovenian publishing group)  
MOOC – Massive Open Online Course  
MOSS – Mini-One-Stop-Shop Procedure  
NAPLE – National Authorities on Public Libraries in Europe  
NATO – North Atlantic Treaty Organization  
RD – Research and Development  
PDF – Portable Document Format  
PA – Publishers Association  
PS – Publishing Scotland  
PoD – Print on Demand  
RPR – Recommended Retail Price  
OECD – Organisation for Economic Co-operation and Development  
SEO – Search Engine Optimisation  
SME – Small and Medium Sized Enterprise  
STM – Scientific, Technical, and Medical Publishers  
UK – United Kingdom  
UN – United Nations  
US – United States  
USA – United States of America  
VAT – Value Added Tax  
WWI – World War I  
WWII – World War II  
YA – Young Adult

# I. Introduction

## I.1. Orientation

'Change is the new Constant' was the slogan of the 2017 *Frankfurt Rights Meeting* conference ahead of the *Frankfurt Book Fair*, the publishing industry's largest trade fair (Anderson, 2017; Buchmesse.de, 2017). It summarises how extensively the publishing industry has been altered by digital technologies and indicates how those developments have affected the self-conception of an industry that has not seen many changes since the invention of the printing press in 1450 (Gomez, 2008). With technology progressing at an increasing rate, change has become a normal state and with it arose the need for perpetual adaptation. This constant need for adjustment has been and still is controversially discussed within the industry, as some voices dismiss the idea that constant change is needed because it seems that publishing has reached a new equilibrium with digital products playing only a minor role. Others have feared the end of the printed book and developments similar to the music industry where record labels lost the majority of their analogue revenue while failing to compensate the loss with digital offerings. However, the printed book is not dead but the changes in the publishing industry reach further than just converting content into digital form as the whole value creation network of the publishing industry has been transformed in the wake of digitisation. Hence questions emerge about the role of publishers in this network when ideologies, the economy and business opportunities start to shift towards an online world where everyone can be a publisher. Many claim that information should be free and markets become frictionless.

In recent years digitisation, the spread of the internet and the continuing development of devices that allow access to digital content in various forms from almost any location have transformed book publishing like other media sectors before.<sup>1</sup> The growing popularity of e-books as well as audiobooks in recent years is just one part of an industry in the middle of a transition period that started long before with the move towards digital printing, networked offices and computer centric ways of working. However, there are considerable differences between sectors within the book publishing industry. The sector for academic and professional publishing has already developed new business models (BM) for both content production and distribution, which have had vital consequences for academic writ-

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<sup>1</sup> The music and newspaper industry were the first media industries affected by digital disruption (e.g. *iTunes* offers individual songs for download and up to date news can be accessed online for free). In recent years subscription services have gained in popularity (e.g. *Spotify* for music and *Netflix* for movies and series). The growing popularity of those firms that entered media markets as 'outsiders' have changed consumer behaviours.

ers, publishers and university libraries (Thompson, 2005). Publishers have mostly transitioned towards a service-oriented form of publishing.<sup>2</sup> Educational publishing on the other side is largely influenced by government policy which is also true for digital initiatives in the educational sector (Phillips, 2014).<sup>3</sup> Lastly trade publishing is still in the midst of adapting, experimenting and innovating while looking for business strategies that allow for the successful incorporation of digital publishing practices into established business routines, all while also strengthening the print business in a marketplace abundant with choices.

This transition affects not only the production process but also the way of communication, the product itself and its distribution. The transformation is most visible in the new products that emerged together with the effect it had on the distribution part of the value chain of trade publishing as technology companies such as *Amazon* and *Apple* try to impose new pricing models, licensing schemes and technical formats onto publishers (Thompson, 2010). However, the novel products should in theory offer new opportunities not only to readers but also to the industry itself: lower production and distribution costs, shorter time to market and the possibility to access a global marketplace online. Moreover, social media allows for easier vertical marketing to specific target groups. Furthermore new features (e.g. enhancements) open new possibilities for authors and the way stories can be told while possibly generating additional revenue for publishers. Nevertheless, as more and more literature becomes digitised, this part of the industry is increasingly affected by online piracy (Wischenbart et al., 2015; Guest, 2019).

Recent trends towards instant gratification in the form of immediate access to entertainment either for free or for a low price as well as the fast-paced way of communicating and sharing information online challenge the established ways of the publishing industry even further. For instance self-publishing is becoming more and more popular which increases the number of books available online and making it difficult for text to stand out. This is especially true for English language titles that compete with a myriad of content online (Kovač, 2014). Moreover, e-book pricing is an issue: with lots of low-priced self-published books available, publishers are struggling to define a consistent pricing strategy. This is enforced through value added tax (VAT) regulations in Europe that prohibited the application of a reduced VAT rate on e-books for a long time. Especially smaller actors were therefore more hesitant to invest in digital strategies as low priced e-book

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<sup>2</sup> Offerings include software solutions, access to databases and digital subscription models. Furthermore the sector is in the process of moving towards an open access publishing model.

<sup>3</sup> E-learning systems combine digital learning environments for students at home with classroom teaching solutions (e.g. material for white boards) and digital tools for class management. Hence those offerings seamlessly interweave analogue teaching with new digital learning environments.

were financially not viable for them (Colbjørnsen, 2015).<sup>4</sup> As low priced e-books require publishers to sell high quantities of titles to recoup the production costs, this is particularly challenging for publishing houses in small language markets to achieve due to a limited customer base.

Hence, after years of rapid e-book market share growth, the overall market share is still small and a clear divide between English-speaking countries and the rest of Europe exists.<sup>5</sup> Overall the evolution of e-books in European book markets is highly diverse both in terms of market penetration, significant differences in policy debates, expectations by various stakeholders, and overall market context such as market size and cultural choices (Wischenbart et al., 2015). Nevertheless digitisation is also changing the wider context of the publishing industry as the linear publishing supply chain has been transformed into a global network with powerful online retailers and changing customer demands pushing publishers to establish a digital strategy. In addition those digital content distributors together with an oligopoly of international hardware and software companies dominate the distribution of e-books with their mostly fenced-off e-book ecosystems through non-interoperable formats, challenging the differentiated bricks-and-mortar bookselling infrastructure of the analogue world (Bläsi and Rothlauf, 2014).<sup>6</sup> Furthermore those e-retailers exercise censorship through prohibiting certain kinds of content to be made available on their platforms (Stirling Centre for International Publishing and Communication, 2012). Lastly self-publishing, *Amazon*, *Apple* and *Google* all aim at replacing what used to be the core business of publishing. These developments are the reason why established publishing houses start to think about ways to benefit from the technological change and how they can utilise the opportunities of digitisation to establish sustainable and successful business practices for the years to come.

Scholars from various fields such as media and publishing studies, media management and other economic disciplines have been researching the effects digitisation, as a major

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<sup>4</sup> The new EU guideline 2018/1713 which came into practice on the 4th of December 2018 allows for a reduction of VAT on e-books and member states already started to make plans to implement this reduction in 2019 (Boersenblatt.net, 2018; Buecher.at, 2019).

The *International Publishers Association* argued that the disadvantaged situation of e-books with respect to VAT runs contrary to various initiatives to promote digital literacy and is holding back the development of the e-book market in general, and especially in non-English and smaller-language markets (International Publishers Association and Federation of European Publishers, 2015). The long-term effect of this policy change needs to be observed in the years to come but it can be expected that it will have a positive effect on e-book prices as well as sales in addition to combined offerings of digital and printed books.

<sup>5</sup> E-books are only significant in a relatively small number of markets, with the US leading the field (13% of the total trade market, followed by the UK (11,5%) and Germany (4,3%) (Wischenbart et al., 2015, pp.23-4). Depending on the genre these shares can be as high as 40-50% (e.g. for crime and romance novels) and it needs to be taken notice that those figures do not include sales figures of self-published books sold via *Amazon*.

<sup>6</sup> *Amazon* offers devices that restrict readers from buying from other vendors due to using an exclusive file format. With the *Kindle* app for other devices customers are still locked-in even when not using *Amazon's* devices. *Apple* is following the same approach by making it hard for readers to purchase e-books from other sources than the *Apple Books Store* by interlocking hard- and software.

technological disruption, had on the creative industries (Küng, 2008; Thompson, 2010; Wirtz, 2011; Bhaskar, 2013; Hesmondhalgh, 2013; Phillips, 2014). In addition digitisation and its ongoing impact on the publishing industry has been extensively discussed in trade publications, news media and among industry experts. This led to differing views of where the industry as a whole is headed and how established players should react in order to create sustainable businesses. What most of those views have in common, however, is a feeling of urgency that publishers need to adapt to the changing world around them in order to prevent them from losing their audience and with them their income (Gomez, 2008, p.4). In particular the discrepancy between giving easier access to an online readership and the challenges of establishing a revenue model that will encourage readers to purchase content instead of looking for free entertainment elsewhere is an ongoing challenge (ibid, p.174). The discussion about how to best adapt to technological change that started with the advent of mass-market e-books has not stopped, as publishing is indeed an ever-changing industry with new devices and access options to content emerging constantly.

## **I.2. Rationale**

The changes in the wider publishing market presents a challenge “to managers tasked with planning a strategy and implementing it successfully [and] to researchers studying the field” (Küng, 2008, p.1). This can be attributed to the accelerating pace of change in the commercial environment and increasingly complex media markets that are not only affected by national developments but also more and more by international trends. On one side global markets emerged and with them a globalisation of lifestyles but on the other side markets have become more dispersed as entry barriers fell away, which at the same time led towards market fragmentation and created opportunities especially for small firms (Bhaskar, 2013). At the same time “[m]edia companies worldwide are struggling to understand and adjust to wide-ranging external and internal changes that are altering modes of production, rapidly increasing competition, eroding their traditional audiences [...], altering established market dominance patterns, and changing the potential of firms” (Picard, 2004, p.1). Hence one can assume that digitisation has the potential to further disrupt the publishing industry which presents challenging tasks to managers of publishing houses as they need to adapt their businesses to ensure future survival.

However, firm-level responses to technological innovation are an underexplored field especially in a small nation context. Moreover, strategies of publishing houses are rarely addressed in scholarly research which is particularly important in times of digital disrupt-

tion as strategy “is concerned with how an organisation orchestrates a successful response to its environment” (Küng, 2008, p.128). In addition studies into the organisational response to environmental discontinuities found that the way managers make sense of those developments is an important factor for explaining the response to those discontinuities (Bockmühl, 2011). Hence this research focuses on the measures publishing houses take to create value in an environment increasingly affected by digital technologies and the way the attitudes of managers shape the response to digital disruption.

Moreover, publishing markets are highly diverse and especially in Europe can be distinguished by different book cultures and languages. Furthermore, the development of an e-book sector seems to depend on the language market sizes as market shares of digital products are much higher in English-speaking markets. E-publishing in small nations is a vastly understudied field and especially comparative research taking differing market characteristics into account is scarce. Hence this thesis examines small nation publishing houses in both larger and smaller language markets in order to understand how the market conditions impact the establishment of innovative strategies in response to digital disruption as well as globalisation tendencies in media production and consumption. Moreover, most publishers in those markets are small or medium sized enterprises (SMEs). As no previous studies could be found that address how the nature of those firms impacts their innovative capabilities this research further focuses on SMEs in small nations.

The institutional environment seems to be an important dimension as questions emerge about what causes the same technology in the same industry to vary across countries (Burgelman and Chesbrough, 2001). Thus Chesbrough (2001) sees the need for comparative research across a diverse set of nations because the impact of technological change may differ across countries. Therefore with Austria, Scotland and Slovenia three nations were chosen with differing market characteristics such as language market size, book culture and policy frameworks. This is of importance as the publishing industry tends to be more regulated and supported by government in those nations than other industries. Figure I-1 summarises the context of this research.

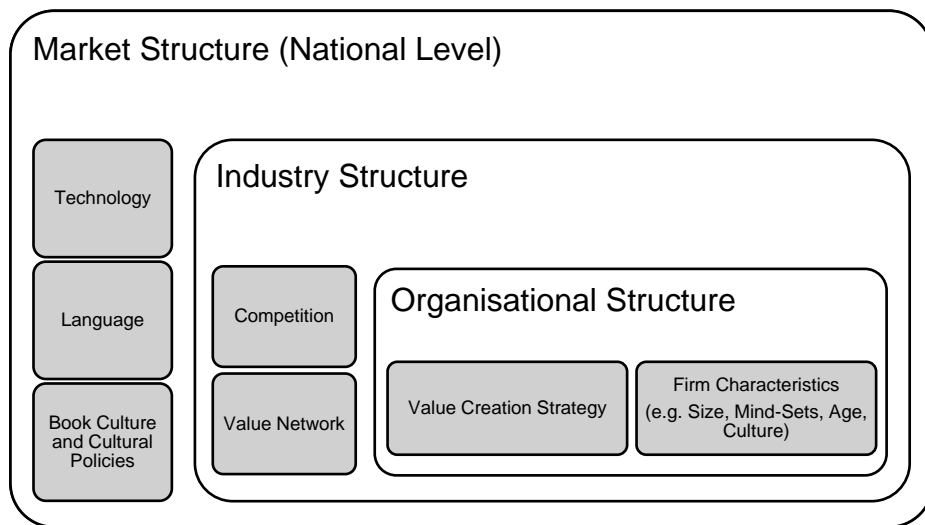
To investigate the issues mentioned above the research adopts the BM as a framework because it allows a study of the adaption of publishing practices as a response to digitisation holistically on a firm and industry level. The framework permits insights into the changes in the value creation process of a firm, a firm’s position within the value network of the industry and how publishers generate income through the value they create.<sup>7</sup>

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<sup>7</sup> Chapter III.2 and Appendix 1 introduce the business model framework in detail.



Figure I-1: Research Context



### I.3. Conceptual Differentiations

In order to answer the research questions posed in this thesis the following concepts and terms need to be defined in order to contextualise and set limit to the area of study as well as define key concepts. Appendix 1 therefore clarifies what is meant when talking about *Small Nations* and *Small and Medium Sized Enterprises*. Furthermore this research focuses on digital disruption, thus *Digitisation* needs to be defined and distinguished from related terms like *Digitalisation*. When talking about BM adaption this thesis, moreover, draws on the concepts of *Innovation* and *Entrepreneurship* as well as what *Technological Change* is and how it is related to *Disruptive Innovation*. Lastly to answer the research questions the thesis needs to define which *Business Model* understanding informs the research, what *Electronic Publishing* and *Storytelling* is and the role of *Book Culture* in the European book markets as a distinguishing feature.

### I.4. Research Objectives

Thompson (2005) stresses that it continues to be important to ask questions about “what role books will play in the changing information and communication environment [...] and [...] how organizations that have traditionally concerned themselves with the production and distribution of the printed book will be affected by the digital revolution.” (p.439). Today this is particularly true for trade publishing given the decline in time spent reading printed books especially by younger demographics paired with an increase in overall

online media consumption and a transnational marketplace that provides easy access to an abundance of cheap and free content. Therefore this research project investigates how small publishing houses generate value for their audiences in a business landscape driven by technological advancements. Literature often treats technological changes as exogenous events which create opportunities to examine response of organisations to that shock (Chesbrough, 2001, p.3). Of interest is how the transformation in the publishing environment affects established publishing houses and what measures these publishing houses take in order to adapt their BMs and thus create sustainable businesses for the years to come. Moreover, this thesis investigates how new market entrants utilise digital technologies for their respective missions. Hence it investigates the impact of technological change on the firm level and how factors such as firm size and age as well as language market size and policy frameworks affect the innovative capabilities of publishing houses.

By comparing and examining e-publishing practices of trade book publishers in small nations this thesis answers questions about change and why some things stay the same. It is a project about business model innovation (BMI) as a response to digital disruption and an investigation into how policy frameworks shape those innovative capabilities. Small nations have often been overlooked by researchers; hence this study focuses on such small nations with the aim to understand better the constraints publishers in these nations face. It addresses the question whether small-nation publishers can benefit from e-publishing and if e-publishing could help to promote and protect Europe's cultural and linguistic diversity. This is of importance as globalisation has led to a concentration of the book market in the form of transnational ownership of publishing houses (McCleery, 2009, p.7) and thus has reduced the diversity of available reading options (McCleery, 2015, p.156).

The results not only add to scarce BM research in book publishing in small nations but they also benefit an enhanced understanding of the differences and similarities of e-publishing sectors within Europe and how small publishing houses can make use of the opportunities digitisation offers. The findings support small-nation publishers in their decision making with respect to organisational choices as well as to programme planning, technical specifications and revenue models for digital products. Moreover, the research helps legislators make more informed decisions at national and European level to encourage innovation among publishers.

## **I.5. Scope**

Following the previous deliberations this research project investigates if and how small publishing houses within trade publishing innovate their BMs and adapt their strategies. In addition the focus lies on small nations and whether market characteristics such as language market size have an impact on publishers' innovative capabilities. Hence three small markets are being analysed which can be distinguished mainly according to the size of the dominant language spoken in those nations.

The research comprises a comparative investigation of larger language markets as can be found in Scotland and Austria and with Slovenia a small language market is analysed. In both Austria and Scotland publishers have in theory access to a wider readership outside their home markets but at the same time also compete with media companies in these other countries over money and time of readers. Publishers in Scotland thus can access the wider English-speaking market, and therefore compete directly with a larger publishing industry situated in London and online increasingly with everyone publishing in English (McCleery, 2009, p.24; 2015, p.167). Austria is in a similar position, as publishers are competing with publishing houses based in Germany, the third largest book market after the US and China (Wischenbart et al., 2015, pp.58-9). These similarities are interesting frameworks to look at when it comes to analysing factors for success and failure of developing e-publishing practices. Nevertheless, there are still some differences between those two markets, especially regarding book culture.<sup>8</sup> Moreover, Scottish publishers must cater for minority languages (Gaelic and Scots), whereas Austria is the home to a Slovene speaking minority in the border region to Slovenia. Slovenia on the other hand has one of the smallest book markets in Europe, with very little e-publishing activities so far (ibid, p.89) compared to the development of the e-book market in the UK or Austria. The reasons as to why are therefore especially interesting to examine. Moreover, Slovenia too can be distinguished according to its differing book culture that manifests itself for example in a strong preference for book lending through libraries.

Furthermore, cultural policies aimed at supporting the local publishing industry are being examined regarding their impact on decision makers in publishing houses and whether those policies support the establishment of sustainable publishing practices and BMI. Moreover, relevant EU rules and regulations were also included in the analysis, as at the time of the study all three nations under investigation were also subjected to EU laws.

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<sup>8</sup> For example Austria has a fixed book price in contrast to Scotland (International Publishers Association, 2014).

To sum this up, this study comprises a theoretical investigation of potential BMs for e-publishing and their relationship to publishing operations (III.4.), as well as an empirical analysis of current cultural policies and e-publishing practices within Austria, Scotland and Slovenia (V.). With the help of expert interviews and secondary data answers are sought to the research questions introduced below. The thesis concludes with recommendations for small publishing houses in small nations going forward.

## **I.6. Research Questions**

Based on case study research in Austria, Scotland and Slovenia this thesis examines the types of transformation occurring in the book publishing industry, including the development of new BMs, management strategies, and the impact of national and European policies on innovative capabilities of decision makers in publishing houses. Hence, this thesis answers the following research questions:

- 1) What e-publishing practices currently exist in Austria, Scotland and Slovenia and what are current and potential new and innovative BMs for the publishing industry in those nations?
- 2) How are established publishing houses in small nations transforming their publishing practices in response to digitisation and digital technology and how are new market entrants using digital publishing for their advantage?
- 3) What are the opportunities and threats of e-publishing for SMEs in those nations?
- 4) What impact do new BMs have on the publishing industry value chain and how do publishing houses create value in this new digital eco-system?
- 5) How are oligopoly structures in e-commerce interfering with SME business practices and the development of well-functioning BMs on national levels?
- 6) What policy frameworks concerning digital publishing exist in these nations, how do they influence the development of e-publishing strategies and what role do the different book cultures play in shaping the e-publishing industries as well as policy debates?

## **I.7. Thesis Structure**

After introducing the implications of digitisation for the publishing industry and how publishers need to adapt their BMs as a response to those disruptions, Chapter II now provides the contexts for the inquiry by introducing the concept of digital disruption and its impact on publishing. The incumbent inertia phenomenon is addressed by looking at legacy publishers and why they struggle to adapt to digital change. Moreover, the chapter presents an overview of digital publishing in Europe and policy debates surrounding it to further contextualise this study. Finally the chapter summarises the status quo of scholarly research into e-publishing in small nations in Europe to highlight the current gaps in knowledge which motivated this thesis.

The third chapter defines the theoretical framework, namely the BM as a means to holistically analyse publishing businesses and their position within the industry network. Moreover, BMI is addressed as a means of creating value in the publishing industry. A special focus lies on emerging e-publishing BMs in publishing and small business theory as a way of understanding the innovative and entrepreneurial capabilities of small publishing houses.

Thereafter, Chapter IV describes the methodological framework and the methods used to answer the research questions. It introduces the constructivist/interpretivist paradigm on which the research is based and summarises why a qualitative approach was chosen. Furthermore, the case study research process is described in detail. Chapter IV concludes by presenting the limitations of this research project.

Chapter V then presents and analyses the research finding from the case studies. First the thesis looks at e-publishing practices and BMIs followed by a summary of the respective policy frameworks in Austria and Scotland as representatives of large language markets followed by Slovenia as a small language market. The findings chapter concludes with a comparison of BMI, policy frameworks and changes in the long-term strategies of small publishing houses in small nations in Europe.

The final chapter summarises the main findings and presents projections for future developments and recommendations for publishing professionals wanting to adapt their BMs as a response to digital disruption. Moreover, recommendations for the improvement of governmental support for the publishing industry is presented. Lastly, the limitations of this research are discussed while making suggestions for further research before concluding with an outlook on the future of small-nation e-publishing.

## II. Digital Publishing

Digital technologies are continuing to transform the publishing industry especially as developments in the wider context of digital media have led to changes in customer behaviour. Books, either in print or digital form, compete with a myriad of other ways to pass one's spare time and especially with free online entertainment. Furthermore the spread of the internet, which increases the number of potential customers that are easily reachable and gives rise to alternatives to distribute digital content to every corner of the world, continues to challenge established ways of doing business in publishing. These developments bring advantages as well as challenges for publishers everywhere, especially considering the increased English proficiency in many countries today (Crystal, 2012; Kovač, 2014), which aided the upsurge of English content consumption (Kovač, 2014; Marie, 2017), creating additional competition particularly for publishers publishing in languages other than English. These intensified competitive conditions in a globalised world are being amplified by ever decreasing prices for media products as well as the formation of media conglomerates and powerful online retailers like *Amazon*. Moreover, digital publishing allows to bypass traditional players in the value chain, raising questions about the future role and function of publishing houses (Bhaskar, 2013). Thus this thesis focuses on how particular small publishers in small nations address these changes as they command fewer resources when compared to larger publishing houses and in addition are located at the fringes of the European publishing industry, which in theory should limit their scope of action. To contextualise the topic under investigation this chapter introduces the disruptive patterns of digitisation and the challenges faced by legacy publishers when adapting to those changes before concluding with a summary of the state of e-publishing in Europe and an overview of previous research into e-publishing in small nations in Europe.

### II.1. Digital Disruption

Schumpeter (1939) defined radical technological change as a continuous process of creative destruction that follows a circle of invention, distribution and lastly adaption in cases of superior technology (see also Schumpeter, 1974, pp.82-5; Mierzejewska, 2010, p.51).<sup>9</sup> This means that an evolutionary process is at the core of economic change consisting of phases of revolution and adaption, which constitute business cycles. This idea is still an important part of the theory of technological change, which sees the ability to

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<sup>9</sup> Radical technological change revolutionises economic structures from within by destroying old ones in order to make space for better ones.

innovate as critical factor in distinguishing successful from failing firms (Christensen, 1997, p.232).

The perhaps most important technological change of the last decades has been digitisation due to its extensiveness in having initiated far reaching structural changes everywhere (Wittmann et al., 2013). Digital technologies have had an impact on the whole economy as well as the society in influencing how people live, work and consume (Matzler et al., 2016). In addition the speed and scope of the digital transformation transcends other developments that came before.<sup>10</sup> Digital disruption did of course not make a halt at the publishing industry. As previously indicated, this did not only encompass the digitisation of media products but the whole production process has been transformed into a digital value creation network attributable to PCs, the internet and digital printing technologies, which as a result have transformed the way media companies work on a daily basis (von Lucius, 2014, pp.138-41). Moreover, the rise in mobile device ownership with internet access as well as continuing digitisation of content and emerging new media formats have given rise to new distribution channels which are often accompanied by new revenue models (ibid, pp.295-316).

The digital transformation has enormous potential while at the same time posing a threat to certain industries. For example a recent study conducted by strategy consultants Roland Berger (2015) estimates that digital technology will create an additional growth value of around 1,25 bn Euros in Europe until 2025 (p.3). Overall the study sees more chances than risks in digital technologies but at the same time found that only 55% of managers are actively engaging in the digital transformation while mostly focusing on its cost reduction potential (ibid, p.27). In addition, according to current business research only 25% of managers in Germany have a clear strategy for how to approach digitisation (Matzler et al., 2016, p.15).<sup>11</sup> Hence there is a gap between the economic opportunities of digital technologies on one side and the digital competences of managers on the other side. However, the potential of digitisation for additional value creation in publishing is hard to measure and predict. Moreover, similar to other creative industries there seems to be a discrepancy between the importance of digitisation for value creation and the reaction of publishing houses in terms of adaption. It can be assumed that this is largely because publishing is an old industry and thus has established ways of doing business. Hence this legacy poses a barrier for publishers to innovate their publishing practices.

To understand the impact of digitisation on publishing houses better the patterns of digital transformation so far need to be analysed (II.1.1). In general digitisation affects industries

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<sup>10</sup> For example technologies introducing the assembly line production did not have such major impacts on all areas of life and the transformation did not progress as rapidly.

<sup>11</sup> This research was undertaken by *The Innovative Management Partners* (IMP), an international consulting and research group that focuses on digitisation and business model innovation as a result of digitisation.

on three levels: In the short term the product level is affected by means of creating additional customer value due to novel digital products and services (here and in the following *ibid*, pp.17-25). Secondly the production process level is affected as digitisation increases efficiency.<sup>12</sup> Finally the BM level is affected through the combination of digital products and services with digital processes and new revenue models. Matzler et al. (2016) argue that firms focusing on efficiency and production methods in order to reduce costs are employing defensive measures and are thus not creating sustainable businesses with a competitive advantage. Progressing from short-term advantages and defensive measures to sustainable changes within a firm happens via the means of BMI. Especially a strategic orientation towards market development drives BM adaption (Saebi et al., 2017). How publishers adapt BMs as a response to digital disruption will be further addressed in Chapter III. The following now introduces patterns associated with digital disruption to provide the basis for discussion of how those developments might affect a publishing house.

#### II.1.1. Patterns of Digital Transformation<sup>13</sup>

Digital transformation seems to follow certain patterns across industry sectors. However, they affect individual industries in different ways and with regard to publishing the intensity of the transformation varies between the different publishing sectors (e.g. trade publishing, educational publishing, scientific publishing) and markets. The question remains how small publishers are affected in comparison to larger ones and whether established publishers respond differently to those transformations when compared to younger publishers as technology shapes publishing in a “complex interplay of possibilities and reactions” (Bhaskar, 2013, p.43). Before this research examines the impact of digitisation on small publishing houses in small nations in detail those patterns of digital transformation need to be differentiated. However, those patterns are tendencies and not laws. The effects of digital technologies are “always social products, subject to, or at least in a relationship with, the choices of its creators, curators and users” (*ibid*, p.69).

##### II.1.1.1. Exponential Development

Digital technologies develop exponentially which is referred to as Moore’s Law.<sup>14</sup> Today many key technologies are information driven and therefore follow an exponential development (Matzler et al., 2016, p.31). An example of such a development is Big Data as

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<sup>12</sup> This refers to the automatization of production and decision-making processes, which for example makes individualised production viable and increases the efficiency (e.g. smart warehousing) which reduces costs.  
<sup>13</sup> The structure of this subchapter follows Matzler et al., (2016). For the headlines also see Matzler et al. (2016).

<sup>14</sup> This goes back to Gordon Moore (1998), who discovered that the option to cram more components onto integrated circuits grows exponentially. He studied the pace with which the power of processors developed



the amount of data, which is being generated doubles every two years because of the growing popularity of social media and e-commerce paired with an increase in smartphone ownership (ibid, p.34). Algorithms and machine learning synthesize this data and thus help to understand the world. In addition the plethora of data available in real time as well as different sources and forms of data reveal patterns which can be used by managers to analyse markets and trends in new ways (McAfee and Brynjolfsson, 2012). At the same time it means that Big Data analytics becomes an increasingly important discipline especially for businesses involved in digital sales. As an *MIT* study shows businesses which generate data and base their decisions on that data are more productive and successful than others (ibid). A prominent example is *Amazon* which generates about one third of its sales revenue from personalized recommendation logics based on buying and searching behaviour (King, 2014). *Amazon's* algorithm is based on combining demographic data with preferences and the location information (ibid). Hence Big Data increasingly influences the area of e-commerce for all companies selling goods online (Matzler et al., 2016, p.37).<sup>15</sup>

Furthermore, Artificial Intelligence (AI) is another example of an exponential development that is, moreover, connected to Big Data and is increasingly used in the wider creative industries. AI refers to techniques that can identify structures in large datasets, hence the connection to Big Data, and use these structures to make predictions on previously unseen data which is also referred to as Machine Learning (New European Media, 2019). The “computational system is able to ‘learn’ (structures) from data and generalise to unseen data” (ibid, p.6). In publishing AI could improve the efficiency of working processes in publishing houses (e.g. pre-sorting of manuscripts) and the accessibility of content through readers (e.g. automated tagging of content, recommendations) (Bläsi, 2019; New European Media, 2019). Lastly AI has also potential for content creation (e.g. personalised content) (ibid).

To conclude, those developments offer new possibilities to publishers and hence need to be considered when formulating long-term strategies. This is particularly relevant as exponential developments improve their performance constantly. Thus, it can be expected that those technologies will have an impact on the publishing industry in a not so far future.

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and it develops exponentially. In addition, computers double their speed every eighteen months (Galarneau, 2008, p.160). As a result devices today such as the smartphone have higher capacities than computers in the 1970s and are moreover more affordable.

<sup>15</sup> For example recommendation systems, social media monitoring and ad analysis are technologies that are based on Big Data.

#### II.1.1.2. Dissolving of Industry Boundaries and Convergence

The spread of technologies such as cloud computing, automatization and the mobile internet have started to transform whole industry sectors (McKinsey Global Institute, 2013). Those technologies break down established value chains as they make some roles in the value creation network of an industry redundant while at the same time creating room for new ones. For example the internet is changing industry dynamics by expanding trading opportunities. Businesses can access the global marketplace more easily and furthermore can sell directly to consumers (B2C) and other businesses (B2B) with ease and thus encouraging disintermediation.

New market entrants that do not pay attention to traditional industry boundaries due to operating novel BMs (e.g. *Amazon*, *Google*) are responsible for the increasing convergence of different industry sectors. Industries that understand themselves as self-contained spaces in which companies that attract customers according to established rules are losing in relevance.

For the media industry convergence refers to “technological, industrial, cultural, and social changes in the ways media circulates within our culture.” (Jenkins, 2008, p.322). The internet and digitisation cause convergence on the product level as content can flow across multiple media platforms (ibid). This in turn influences the production process as cooperation between multiple media industries becomes crucial and hence results in convergence of industries (e.g. content, computing and communication) (Küng, 2008, pp.92-4). To sum this up publishing is affected by convergence of products, delivery platforms and industries. Lastly the participatory web culture gave rise to the ‘prosumer’, consumers who at the same time are also producers (Rifkin, 2014), resulting in a blurring of “boundaries between the producer and consumer” (Hall, 2013, p.21).<sup>16</sup>

#### II.1.1.3. ‘The Winner Takes It All’ – Monopolisation through Network Effects

Network effects are used as explanation for the fast growths of some digital companies that results in monopolisation (here and in the following Matzler et al., 2016, p.51). In general network effects occur when the benefit of a product or service increases with the number of its users. Network effects are positive when the benefit of a product or service increases for one customer with the increase in overall consumer numbers.<sup>17</sup> It can be argued that businesses that base their offerings on creating positive network effects are prone to become monopolies. The benefit of their service increases for all customers with a rise in users, which automatically leads to concentration. Moreover, existing customers are encouraged to stay loyal to the company due to lock-in effects of the service

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<sup>16</sup> An example here for is fan fiction.

<sup>17</sup> Social media platforms like *Facebook* and messenger services like *WhatsApp* are examples here for as the services become more useful with an increase in overall user numbers.

thanks to switching costs. These concentration effects can be explained by Metcalfe's law, which says that the value of a communications network is proportional to the square of the number of its users (Küng, 2008, pp.98-9). Those effects are present in 'two-sided-markets' (e.g. *Amazon*) and especially in cases where a firm occupies an intermediary position between seller and buyer. Matzler et al. (2016) conclude that old industries derive their advantage from scale effects whereas the new information economy profits from network effects.

*Amazon* is a prominent example of a firm that profits from network effects: its sales platform and services become more attractive to potential customers the more sellers use *Amazon* as this increases the variety of available products. In addition the more sellers use the platform the faster the delivery of products becomes due to cost digression and an increase in efficiency. Moreover, the prices of products decrease due to easier comparability. This increases the customer satisfaction which makes the services in turn more attractive for potential new customers and therefore more sellers will start using the platform since they now can reach even more customers. Furthermore network effects also explain the success of data analytics systems that predict customer demand with the help of algorithms. The more customers provide *Amazon* with data the better the recommendations and predictions become. In turn improved recommendations make *Amazon* more attractive among customers and hence customer reviews will be more positive thanks to rising customer satisfaction and thus creating positive feedback-effects. Unfavourable customer reviews let other customers distinguish between good and bad sellers and hence good sellers can increase sales. Overall negative experiences decrease, and satisfaction increases which increases the number of overall users of the platform.

Furthermore the ability of companies like *Amazon* to sell products and services to a global audience thanks to digitisation reinforces the monopolisation effects. In addition 'customer lock-in effects' and the power to establish standards contribute towards monopolisation.<sup>18</sup> To sum this up, those tendencies lead to a competition of platforms and whoever attracts the most users to its site will define the standard of the industry (Matzler et al., 2016, p.55). Hence it can be assumed that small entities such as publishing houses in small nations are further marginalised. They can only follow and adapt to the standards those monopolies set.

#### II.1.1.4. Zero Marginal Cost – Trend Towards 'For Free Economy'

Digitisation challenges established firms as was seen in the music industry. Record labels lost more than 70% of their revenue since the 2000s as a result of the emergence

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<sup>18</sup> This can be seen with *Amazon* and *Apple* who created their own eco-systems for e-books with special proprietary formats that bind customers to their devices and platforms.

of new platforms like *iTunes*, *Spotify* and *YouTube* (Matzler et al., 2016, p.55). Those companies introduced new revenue models (e.g. subscription) to the industry. Similar developments can be observed in other industries: online newspapers and online encyclopaedias disrupted the established income streams of the respective analogue industries. In addition to that digital native companies like *Google*, the emergence of open source software, social media platforms and online education like *MOOCs* have introduced a move towards a 'for free' provision of goods and services in the digital world.

The 'for free economy' is not a niche phenomenon according to Anderson (2009) but a typical result of the digital transformation as the reproduction and dissemination of digital products only produce marginal costs. For example producing a book induces many up-front costs but once digitised producing an additional copy is almost free. The production and distribution costs of digital files are marginal when compared to analogue distribution. Hence *Project Gutenberg* can afford to offer thousands of out of copyright books for free online and other forms of product financing emerge that allows to price digital content very cheaply or to give away for free (Anderson, 2009). This indicates that fixed-charged coverage becomes the centre of business activities in an environment where marginal costs no longer exist.

Consequently digitisation provides firms with new opportunities to generate additional income by incorporating services that are seemingly for free while at the same time influencing customers' willingness to pay for digital goods. How publishers can utilise this trend to generate income is discussed in detail in Chapter III.4.1.

#### II.1.1.5. Minimal Transaction Costs – 'Maker's Revolution' and 'Peer-to-Peer-Economy'

In his research Coase (1937) raised the questions why firms exist and why in-house production is often cheaper than outsourcing. He advanced *Adam Smith's* (1954) theory who argued that the production process is most efficient when firms focus on what they can do best and trade with other firms in order to exchange expertise. Coase, however, reasoned that transaction costs need to be considered when thinking about outsourcing as those costs can be higher than in-house production.<sup>19</sup> Overall the costs involved when buying on the market need to be compared to the costs involved in in-house production. Hence transaction costs can explain the existence of firms and, moreover, the movement towards large firms as they can decrease those costs through economies of scale.

The question today is whether this reasoning is applicable to the digital economy as well or if different rules apply. Matzler et al. (2016) argue that transaction costs decrease in

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<sup>19</sup> Transaction costs are all costs that result from initiating and executing business transactions, like the costs that occur when researching distributors, the negotiating costs and quality control costs.

the digital realm because the ubiquity of information makes negotiating contracts as well as monitoring the execution more efficient and thus cheaper. Following the transaction cost theory, the reduction in transaction costs is an incentive to choose outsourcing over in-house production. Thus low transaction costs have an impact on the long-term strategy of businesses as integrated value creation processes become less important. As a result businesses that are based on trade instead of integration become viable. This also enables consumers to become producers as low transaction costs allow individuals to produce more cheaply and in turn democratise the production of goods (Anderson, 2013). Open source software as well as the increased popularity of crowdsourcing principles and creative commons licenses furthermore increase the feasibility of projects realized by individuals.

For the publishing industry it can be assumed that small publishing houses profit from a reduction in production costs and as it lowers market entry barriers through accessible outsourcing options new small publishers should be able to survive more easily. Overall it can be expected that small publishers choose to outsource more as they profit less from economies of scale.

#### II.1.1.6. Access over Ownership

Digitisation has led to a growing access economy as consumers increasingly prefer to access content online instead of owning it (van der Weel, 2014). Examples here for are *Spotify*, *Netflix* and e-book subscription services such as *Kindle Unlimited*. Those subscription services provide convenient access to a large catalogue of content. This leads in turn to 'lock-in' effects as customers create for example playlists and profit from recommendation systems that are based on previous consumption. This has implications for book publishers as service provision becomes more important than just publishing printed books. It further indicates that those subscription platforms will grow in importance creating alternative routes for publishers to earn money.

Chapter V will analyse how, if at all, those patterns affect the publishing industry in Austria, Scotland and Slovenia. Special attention is paid to the varying national contexts and the specifics of the firms.

#### II.1.2. Change or Die: The Handling of Disruptive Innovations by Established Firms

Developments in the wider media industry show that established firms mostly adapt to change that has been introduced by 'outsiders' instead of leading the digital transformation of their industry themselves. Why is it that established firms often fail to see the potential of disruptive technologies? This phenomenon is often referred to as 'incumbent

inertia' (Gilbert, 2005; König, 2009). Christensen (1997) explains this as follows: established firms struggle to allocate scarce resources towards new products and customers, as they already cater for the most profitable market segment. Hence managers act in the interest of the business when they do not react to the disruptive innovation but rather continue to focus on their most important customers and invest in areas with the highest expected returns (Raynor and Christensen, 2003). Henderson (2006) builds on this by arguing that the routines of established businesses prevent them from seeing the change as opportunity as the new technologies do not fulfil the customers' needs in the core market. Hence disruptive innovation usually emerges in niche markets (Christensen, 1997). To summarise successful established companies fail to adapt to change because they are not able to abandon traditional business practices at the right time. The decision-making process is the root cause for the eventual failure as good management practices prevent firms from experimenting with new ideas. It is easier and more promising to focus all resources on developing the existing businesses. This is especially true when new products have the potential to cannibalise sales of established products, a fear present in discussions about e-book sales potentially cannibalising print sales. Moreover, disruptive innovations come with many uncertainties. Neither the market volume nor the potential sales or yield can be estimated, as reliable data does not yet exist. Porter (1990) sums up the struggles of successful established firms as follows:

[I]nnovation and change are inextricably tied together. But change is an unnatural act, particularly in successful companies; powerful forces are at work to avoid and defeat it. Past approaches become institutionalized in standard operating procedures and management controls. Training emphasizes the one correct way to do anything; the construction of specialized, dedicated facilities solidifies past practice into expensive brick and mortar; the existing strategy takes on an aura of invincibility and becomes rooted in the company culture. Successful companies tend to develop a bias for predictability and stability; they work on defending what they have. Change is tempered by the fear that there is much to lose. The organization at all levels filters out information that would suggest new approaches, modifications, or departures from the norm. The internal environment operates like an immune system to isolate or expel "hostile" individuals who challenge current directions or established thinking. Innovation ceases; the company becomes stagnant; it is only a matter of time before aggressive competitors overtake it.

This shows that 'outsider' firms enter the market with not yet attractive products and services but might in the future be the market leaders, possibly changing the whole structure of an industry.<sup>20</sup> Furthermore Mierzejewska (2010) argues that disruptive innovations interfere with two areas of established firms: "the structure of incumbent's market and the internal architecture of the incumbent firm, because embracing the new technology requires significant changes in existing internal processes and priorities, especially those concerning investments in the new business areas" (p.53). Consequently it can be expected that established publishers too will reject the disruptive change and focus on what they have been doing successfully for years instead: producing and selling books in printed form (ibid). Thus it was *Amazon* that disrupted the publishing industry. Firstly with the introduction of the *Kindle* reading device it made e-books as a digital copy of printed books popular and later with the introduction of subscription services (*Kindle Unlimited* and *Audible*) (Stone, 2014). As a result the traditional and complex model of distribution of the book trade has been transformed as publishers were forced to react to *Amazon's* offerings, which quickly gained popularity amongst readers. Moreover, *Amazon* also entered the core business of book publishers by not only setting up their own publishing division that expanded quickly through establishing imprints, which cover the whole of the consumer market, but also by allowing authors to self-publish directly through their platform (*Kindle Direct Publishing*). Moreover, they offer authors a higher royalty rate of 70% online (*Kindle Direct Publishing*, 2019) and entered the book trade with brick-and-mortar bookstores in the US.

Thus how can publishing houses as established businesses in the book industry handle disruptive technologies appropriately? Two studies in particular examined the adaption of established publishing businesses to disruptive innovations: Kammerlander (2013) examined how family owners influence the adaption process to discontinuous technologies and which role the identity of publishing houses play throughout the adaption process. Discussed in detail are the characteristics of the family business identity that lead to a fast adaption. König (2009) in contrast looked at the influence of cognitive perception, and particularly the perception of technological discontinuity as an opportunity or threat, on the reaction behaviour. He concludes that cognitive perceptions can in parts explain the reaction inertness of established businesses. In addition he supports other researchers' prediction that structural separation of the unit which is responsible for the development (see also Gilbert and Bower, 2002) and promotion of technological innovations can help to overcome inertia.<sup>21</sup> Moreover, Kammerlander (2013) concludes that

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<sup>20</sup> *Amazon* is one of those 'outsider' firms that entered the publishing market and changed it in many ways. *Wattpad* is another successful online platform that caters for readers without having roots in traditional publishing.

<sup>21</sup> This refers mainly to new knowledge, which is brought into the business by external sources (e.g. external consultants) and helps to look at information from different perspectives.

family firms are well equipped for the adaption to discontinuous change since they often have less formalised routines that allow for quicker adaption. This is comparable to what is said about SMEs and consequently a flexible business structure seems to be linked to successful handling of disruptive change regardless of company size.<sup>22</sup> The disadvantage of family firms is their focus on staying independent as well as the emotional involvement of the owners in the business that can lead to rather hesitant investment in technological developments. Again, this is the same for SMEs who are usually either run by their owners or at least in a personalised way because of less developed formal structures. Furthermore family firms did only reluctantly involve external experts or established autonomous organisational units with clear responsibilities. Hence Kammerlander (2013) recommends that directors of family firms include external opinions as well. This can be done by the means of new employees who are familiar with the new technologies or through the acquisition of firms with relevant competences or through external advisors as well as joint ventures. In addition she argues that broadening personal networks can help to alert managers sooner about discontinuous technologies. König (2009) agrees whilst stressing the importance of contacts outside the industry. However, the question yet unanswered is how small publishing houses in small nations can overcome inertia. This will be addressed in Chapter V.

## **II.2. Digital Publishing in Europe – A (R)evolution**

### **II.2.1. Market Overview**

Digital technologies and their potential for disruptive innovation have also impacted the publishing industry in Europe as the patterns of disruption presented previously have started to change the industry. There is, however, not one European e-publishing market. National differences result in diverse adaption strategies and developments at varying rates despite increasing globalisation in the publishing industry (Rønning and Slaatta, 2012; Wischenbart et al., 2017a). This is notable for example in the varying market shares of digital content and modes of access across Europe while global players at the same time push for multi-format and multi-platform publishing for a global audience (Wischenbart et al., 2015; Wischenbart, 2018).

Overall publishers operate in a challenging environment as the turnover of publishing houses is decreasing while at the same time the title production is growing, which means that publishers earn less per title published (Federation of European Publishers, 2017). Moreover, with the growing popularity of global e-retailers there is increasing concern

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<sup>22</sup> Characteristics of SMEs in the context of entrepreneurship are being discussed in III.5.



that English-language publishing will expand and take over publishing in national non-English speaking markets (Steiner, 2018). Nonetheless, local differences persist online especially in markets without an *Amazon* presence. Here the dissemination of digital content is mostly in the hand of local players that hold a strong position within their home markets. Thus Steiner (2018) argues that the “digital media landscape has brought increased awareness of the complex interplay of commercial, technological, legal, and political factors in contemporary literary culture” (p.130).

In general, Phillips (2014) observed some commonalities in how digitisation shapes the book markets in Europe. The following themes can be distinguished: disintermediation of the value chain, globalisation of book consumption as books can be accessed from everywhere, convergence of media types on digital devices, democratisation of authorship through the rise of self-publishing and new modes of content discoverability online with the emergence of new channels through which consumers can access, share and discuss content. How digitisation affects different publishing markets on the firm level remains unanswered, however, and thus presents the motivation behind this study. Of interest is how the duality of local culture on one side and the globalisation of the industry on the other shape the development of e-publishing practices. As differing legal systems in Europe are assumed to affect the development of the e-publishing sectors in Europe the following introduces policy debates that will continue to shape how the industry adapts to change.

## II.2.2. Legal Frameworks and Policy Debates in E-Publishing

In the following the most important policy debates surrounding e-publishing in Europe are summarised. Furthermore those discussions are addressed in more detail in the findings chapter of this thesis.<sup>23</sup>

### II.2.2.1. Tax Challenges of E-Publishing

The digital economy challenges current tax laws that are mainly based on physical market presence. Digital companies that operate globally (e.g. *Amazon*) can reduce the amount of taxes they pay overall in choosing carefully where they set-up headquarters or subsidiaries. Hence those companies tend to declare most of their returns strategically in countries with low tax rates on revenues (Ahmed, 2018). Overall they profit from the ability to shift profits and losses from one country to another with the aim to minimise their tax burden. Moreover, they have market power in the regard that they create em-

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<sup>23</sup> Policy frameworks and subsidies for the publishing industry in Austria are discussed in V.1.1.4., for Scotland in V.1.2.4. and for Slovenia in V.2.4. The comparative analysis of those issues is presented in V.3.3.

ployment in the countries where they set up physical market presences and thus countries compete for those market presences by offering favourable tax rulings (e.g. the case of Ireland and *Apple*).

Furthermore legislators are increasingly faced with the question how income from intangible assets can be allocated and how to allocate international taxing rights accordingly. As the digital economy allows firms to trade internationally solutions need to be found on a global level. Hence the OECD recognises that a common practice needs to be established for allocating profits in a global marketplace which is not an easy task as its 129 members have diverse interests (Bundesministerium der Finanzen, 2019). Although countries disagree on the details of appropriate measures, they agree on the overall objective that clear rules are needed that prevent tax evasion practices and double taxation and establish a common taxation base and clear rules for where revenues are being taxed and how. Moreover, as the lines blur between analogue and digital companies, rules need to be found that are applicable to both worlds. For example there are currently efforts to introduce a global minimum taxation of revenues from intangible assets and to focus more on where products are being sold and less where a company is based.

#### II.2.2.2. VAT Rules for the Cross-Border Supply of Digital Products

A new rule came into place in 2015 that concerns cross-border sales of electronic services in the EU (Katsarova, 2016). Providers of digital content are now required to calculate and pay VAT in the country where their customers reside (Council of the European Union, 2013). This replaced the practice of levying tax in the country where the content supplier is located. The aim of this new rule was to harmonise the market conditions for companies all over Europe while at the same time creating a fairer tax system, one that prevents globally operating companies like *Amazon* from taking advantage of lower VAT rates in some member states of the EU. The future will show if this new taxation practice is actually disadvantageous for customers as companies could increase prices to make up for the higher VAT in some EU member states. Moreover, micro businesses might be adversely affected by this rule as it creates, for example, additional work for smaller publishers with web-shops. They need to record the residency of their customers and update their online presence as the prices displayed online need to disclose the VAT according to the customer's country of residence. This could potentially result in the closing of small web-shops and restrict publishers from directly selling their books to customers abroad.

#### II.2.2.3. Reduced VAT Rates on Digital Content

The *International Publishers Association* argues that the disadvantageous situation of e-books with respect to VAT runs contrary to various initiatives to promote digital literacy and is holding back the development of the e-book market in general, and especially in

non-English and smaller-language markets (International Publishers Association and Federation of European Publishers, 2015). Consequently the publishing industry welcomed the EU guideline 2018/1713 that allows for a reduction of VAT on e-books. At the time of writing this thesis the member states were still in the process of implementing this change in legislation. Hence the long-term effect of this policy change needs to be observed in the years to come but it can be expected that it will have a positive effect on e-book prices as well as sales in addition to combined offerings of digital and printed books.

#### II.2.2.4. Net Book Agreements

In Europe different legislations regarding fixed book prices exist. Every member state has its own regulations with ten of the EU members currently having laws for fixing the price of books while most of them have extended such regulation to e-books (International Publishers Association, 2014). Fixing book prices is seen as a cultural measure to support publishers and bookstores in producing and disseminating culturally important books for which customer demand is low. At the same time this measure eliminates the possibility for price competition among sellers, resulting in artificially high retail prices which yield higher profits at the expense of customers. The anti-competitive measure is justified by the aim of supporting a geographically widespread network of well-stocked bookstores and a large variety of books published, as higher profits can be used by retailers to stock low-selling but culturally important titles (Monopolkommission, 2018). The same is true for publishers that are expected to use the additional profits to cross-subsidise their cultural production.

Recent research has investigated the effectiveness of fixing e-book prices in Europe to support cultural production and dissemination in a digital environment (Poort and van Eijk, 2015). Poort and van Eijk (2015) argue that for e-books the retailer related arguments for a fixed book price are no longer valid due to unlimited shelf space without storage costs online and the option to access any e-bookstore. Hence there is no argument for the support of a geographically wide network of e-bookstores. Moreover, novel services like subscription models for e-books allow publishers to circumvent the legislation. Consequently they suggest to abolish the legislation that fixes e-book prices and to replace it with legally less controversial measures such as reduced VAT rates on e-books and grants for authors.<sup>24</sup>

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<sup>24</sup> To investigate this further, with Scotland the thesis focuses on a small nation without a fixed book price and with Austria and Slovenia two small nations with a fixed book price were chosen to contrast and compare findings.

### II.2.3. Summary – State of E-Publishing Research in Small Nations

Scholarly research has looked into how digitisation shapes the publishing industry in different countries. The focus remains largely on the larger markets with higher shares of digital content (e.g. UK, US) while discussing the implications of digitisation from an industry point of view (Thompson, 2010). Hence there is a lack of research focusing on the effect of digitisation on publishing houses themselves. The few contributions that address e-publishing in small nations in Europe mostly follow a narrow understanding of e-publishing by focusing solely on e-books (Bergström et al., 2017). Furthermore scholars that present empirical studies on the impact of digitisation in small nations focus solely on small language markets. In addition those studies are mostly quantitative and descriptive in nature.

Research into e-book markets in small language markets indicates that there are certain commonalities between them. In comparing the e-book markets in Sweden, Lithuania and Croatia Wilson (2015) for example found that there is a divide between the growth of e-book publishing in small language markets compared to the English language market. Overall the e-book production in small language markets in Europe is still small and without *Amazon* as a distribution platform local initiatives needed to be set up, resulting in a diverse e-retailing landscape in some countries (Gudinavičius, 2014; Velagić and Pehar, 2014) while in countries such as Sweden the e-book market developed through e-lending (Bergström et al., 2017). It can be observed that those distribution systems mostly replicate the analogue dissemination of books (Colbjørnsen, 2014). However, establishing an e-book market is costly and most publishers in small language markets seem to be reluctant to invest, especially due to the need to price e-books on the lower end of the price scale, not making them economically viable. Moreover, research found that due to a lack of choice in digital reading material in those small languages readers with proficiency in English increasingly read in English (Kovač et al., 2015; Bergström et al., 2017). This is enforced by the myriad of English content for free online (ibid). Furthermore in an effort to promote local literature in Croatia a platform was set up that offers e-books in Croatian for free. This does further hamper the development of a commercial e-book market (Tomašević and Despot, 2014).

As language is used as the single defining characteristic for a small nation comparative research into small book markets varying in language market size is scarce. Kovač and Squires (2014) undertook the only comparative study of publishing in Scotland and Slovenia, asking questions about the role of market forces “in the reproduction of culture and knowledge in different European societies” (p.17). The research showed that there is an economic difference between both markets as Scottish publishing is more lucrative.

Moreover, they found that the size of the Slovene language market limits the growth of the publishing industry while Scottish publishers face strong competition in the wider Anglo-Saxon market and are thus restricted by their marketing capabilities. They conclude that broader “comparative research into different publishing markets and cultures is needed in order to understand better the forces and sociological identities” (ibid, p.17) that shape publishing markets.

To conclude, no meaningful comparative study could be found that analyses the impact of digital disruption on publishing houses while focusing on the specific characteristics of small enterprises and small markets and how those characteristics affect adaption processes and innovative capabilities. Moreover, no research could be found that addressed the question how publishers adapt their business practices in order to capitalise change and create sustainable businesses. Therefore this study looks at the economic implications of digitisation for small publishers in small nations. The following chapter now introduces the theoretical framework, the BM, which is used to analyse how publishing houses create value in a digital world and how this affects their position within the value creation network of the industry.

### **III. The Business Model Concept, Business Model Innovation, SMEs and Entrepreneurship**

#### **III.1. Theoretical Foundations**

Digitisation had and still has a great impact on our daily lives in manifold ways. It has changed the way we work, communicate with each other and how we live our lives. There is hardly any aspect of life that has not been affected by digitisation, the spread of the internet and the novel products that have been developed during the last decade. Hence, digitisation has also changed the way businesses operate in manifold ways. Production processes have shifted from an analogue to a digital practice, making machines and computers a commonplace appearance in firms. In addition, the internet has created a global marketplace which is easy to access even for remote and small companies.<sup>25</sup> Digitisation and the internet, however, are not the only factors changing the competitive conditions. Rising research and development (R&D) costs, deregulation, increasing business interdependences, shorter product life circles as well as a growing international competition, have increased the pressure to be innovative (Wirtz, 2013; Stampfl, 2016). This resulted in extremely dynamic, highly competitive and complex markets, forcing companies who want to succeed in this global competition to adapt to these new market conditions. Usually strategies, organisational structures and products are the factors under pressure to change. Lately another part of the firm is under pressure to change – the BM – which results in BMI. This represents a novel view on value creation and the business architecture (Chesbrough, 2010; Teece, 2010; George and Bock, 2011; Wirtz, 2013; Spieth and Schneider, 2016; Stampfl, 2016).

The BM is usually discussed in the context of generating competitive advantages. In this regard, the success of entrepreneurial activities is often linked to the management of BMs (Wirtz, 2013). In order to meet the challenge of the new competitive situation, BMs are seen as a valuable tool to support the management to generate new business ideas, review business activities and to change the existing strategies and structures through systematic simplifications of the complexities and dynamics of the market. Furthermore it is a tool to analyse success factors as well as the adaptation of business activities. Wirtz (2013) summarises the functions of a BM as a means to depict the production and incentive system. It is a simplistic representation of the resources that flow into a business

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<sup>25</sup> This is enhanced through the “European Single Market” initiative of the European Union, which aims to create one single market online that can easily be accessed from all member states. In the course of implementing this single market, tax discrimination shall be abated and especially smaller companies should be able to reach customers everywhere in Europe on the same terms (European Commission, 2015a, 2015b, 2016).

and how these are transformed into marketable products or services (Wirtz, 2011). To conclude, a BM shows through which combination of production factors the strategy of a company shall be implemented and who is responsible for which tasks (Wirtz, 2013). Thus it represents an integrated management concept which displays the fundamental value creation logic, the value creation architecture and functionality of a business (Timmers, 1998; Wirtz et al., 2012). Following this approach, a BM is seen as a management instrument, which can enhance the success of a company when understood correctly.

The BM concept and especially the process of innovating a BM in order to create value in a changing and dynamic market is of particular interest for book publishers. As the book industry competes not only with other publishing houses but with the whole creative industry, over time and attention of consumers, they need to stay innovative in finding answers to the opportunities and challenges of digitisation and the spread of the internet. However, BMs are rarely used as a tool to examine how digitisation affects publishing houses and how value creation in a changing digital marketplace could look like.<sup>26</sup> Therefore this chapter introduces these concepts and lays the foundation for the fieldwork and investigation of the impact of digitisation on the publishing industry.

Thus the following chapter gives an overview of the origins and developments of the term, to provide an understanding of the relevance of the concept in engaging in new business activities. First a summary of the state of research on the BM concept (III.2.) is presented, followed by an analysis of the state of BMI research (III.3.) and by a description of emerging e-publishing BMs in the book publishing industry (III.4.). Lastly, the chapter looks at the distinguishing characteristics of SMEs and how those characteristics impact their innovative as well as adaptive capabilities (III.5.).

### **III.2. The Business Model Concept**

Over time, different approaches have been developed to explain the BM concept. This subject heterogeneity is reflected in the many existing definitions, which often cover only subdomains like the components of a BM or are very context specific (Zollenkop, 2006; Wirtz, 2013). A popular interpretation of the BM concept is the instrumental view (Osterwalder et al., 2005; Zollenkop, 2006). In this case the BM is used to describe, analyse, design and operate firms from a management perspective. Long-term success and securing the existence of the company are the goals of the BM as a management

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<sup>26</sup> Studies examining business models in book publishing in the context of digitisation: Janello (2010), Wirtz (2011), Faherty (2013), Dosdoce.com (2015) as well as Magadán-Díaz and Rivas-García (2018).

instrument. It also includes generating a competitive advantage through monitoring and adapting the activities of a firm, if needed (Wirtz, 2013).

### III.2.1. Origin and Development of the Term

The term '*business model*' was first mentioned in an article in 1957 (Bellman et al., 1957). Initially the phrase was used in a very unspecific manner. After that, the BM term has been largely used in the context of business modelling and especially for system modelling (Zollenkop, 2006; Wirtz, 2013; Wirtz et al., 2016). Since the end of the 1990s the BM concept then developed into an established management tool and therefore gained in importance in academic literature (Wirtz et al., 2012; Wirtz, 2013).

According to Zott et al. (2010) the advent and increase in use of the term is connected to the spread of the internet and the development of e-commerce. Advancements in information and communication technologies (ICT) have facilitated new forms of interactions between businesses (Amit and Zott, 2015) and thus have changed the way businesses operate. Especially the way they organise and manage exchange with firms and across industry boundaries including customers, vendors and stakeholders has been altered (Amit and Zott, 2001; Chesbrough, 2010; Amit and Zott, 2012). According to Amit and Zott (2015) the BM then was no longer seen only as an operative plan for creating information systems but was employed to capture how firms use these technological advancements for new forms of exchange and novel workflows. In addition, Osterwalder et al. (2005) state that the BM replaces the industry as a unit of analysis as industry boundaries become increasingly blurred because of the aforementioned technological developments.

From that time on, BM research developed into very different directions and the focus shifted away from the BMs of internet companies to the analysis of BMs in general (DaSilva and Trkman, 2014). Hence, in his doctoral research Stampfl (2016, p.25) identified ten different fields of research in scientific articles.<sup>27</sup>

- (1) Studies examining what a business model is
  - a. definitions and typologies
  - b. elements and components
  - c. reference models and frameworks

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<sup>27</sup> For a more detailed overview over the different research streams and their main representatives see Stampfl (2016, p.26). Another approach is described by Wirtz (2013), who identified the following research streams: the business model concept, the structure of the business model and the management process of the business model.



- (2) Studies focusing on the relationship to other concepts
  - a. relationship between the business model concept and technology
  - b. relationship between the business model concept and strategy
  
- (3) Studies on business models and organisations
  - a. the impact of business models on corporate performance
  - b. business models, leadership and organisational capabilities
  - c. business models and entrepreneurship
  
- (4) Studies investigating the development and implementation of new business models
  - a. business model design, implementation and innovation
  - b. business model innovation process

Another view on the different research approaches is presented by Wirtz (2013), who identifies the following three fields that developed over time: a technological approach, an organisational approach and a strategic approach. The technological approach developed first and as mentioned previously progressed with the spread of e-commerce. Here the BM is used as a business modelling tool to depict system constructions. The organisational approach, however, sees the BM as an abstract representation of the business architecture. It is used as an independent tool for analysis and in doing so the concept developed from an additive to put instructions into practices into a means to support the management during decision making processes. It is furthermore an instrument that helps to understand the mechanisms of a firm because it visualises the business architecture. Lastly the strategic approach developed from the year 2000 onwards as a holistic description of entrepreneurial activities in an aggregated form. This research stream connects the BM with the business strategy: the BM is used to draw conclusions from the factors of production that are needed to implement the strategy of a firm. Thereby innovation of BMs is seen as a competitive advantage, making the BM relevant for strategic competitive considerations.

Furthermore, the literature on BMs is quite young, as mentioned above, with an abundance of studies being published only since the year 2000. Earlier research concentrated mainly on defining the term whereas more recently the focus shifted to the implementation and design of new BMs. Despite being criticised for its conceptual ambiguity during the early years of BM research (Porter, 2001), the BM has been recognised as a new unit of analysis during the last ten years. Moreover, Zott et al. (2011) recognise that the BM is largely seen as a unit of analysis that offers a systematic evaluation of the boundary-spanning activities of a firm in order to create value. This presents a holistic view on

how companies do business and thus is helpful when looking at publishing houses and their role in the wider publishing industry.

### III.2.2. Business Model Definitions and Approaches in Literature

Even though the popularity of the term '*business model*' has grown and is used widely in an academic context as well as by industry professionals, there is still no generally accepted definition of the term which has led to a heterogeneous understanding of the concept. George and Bock (2011) summarise this problem as follows: "While the term 'business model' has gained widespread use in the practice community, the academic literature on this topic is fragmented and confounded by inconsistent definitions and construct boundaries." (p.83).

Industry professionals largely use the term to answer the question how they derive revenue from business activities (Bläsi, 2014; Wirtz, 2014). In scientific discussions the understanding of the term is much broader. In order to develop a definition of a BM as a framework which is applicable for this research, it is necessary to comprehensively analyse the existing definitions most relevant for this research (see *Table III-1*). These definitions focus on the value creation activities of businesses and how competitive advantages are derived. This is of importance for this research as the main underlying question is how publishers can create value in the digital world and thus create sustainable businesses.<sup>28</sup>

*Table III-1: Definitions of the Term Business Model*

<i>Author</i>	<i>Definition</i>
Timmers (1998)	An architecture for the product, service and information flows, including a description of the various business actors and their roles; and a description of the potential benefits for the various business actors; and a description of the sources of revenue. (p.4)

<sup>28</sup> See research question four.

Mahadevan (2000)	A business model is a unique blend of three streams that are critical to the business. These include the value stream for the business partners and the buyers, the revenue stream, and the logistical stream. The value stream identifies the value proposition for the buyers, sellers, and the market makers and portals in an Internet context. The revenue stream is a plan for assuring revenue generation for the business. The logistical stream addresses various issues related to the design of the supply chain for the business. (p.59)
Amit and Zott (2001)	A business model depicts the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities. (p.511)
Osterwalder et al. (2005)	A business model is a conceptual tool that contains a set of elements and their relationships and allows expressing the business logic of a specific firm. It is a description of the value a company offers to one or several segments of customers and of the architecture of the firm and its network of partners for creating, marketing, and delivering this value and relationship capital, to generate profitable and sustainable revenue streams. (p.10)
Chesbrough (2010)	A business model fulfils the following functions: Articulates the value proposition [...]; Identifies a market segment and specify the revenue generation mechanism [...]; Defines the structure of the value chain required to create and distribute the offering and complementary assets needed to support position in the chain; Details the revenue mechanism(s) by which the firm will be paid for the offering; Estimates the cost structure and profit potential [...]; Describes the position of the firm within the value network linking suppliers and customers [...]; and [f]ormulates the competitive strategy by which the innovation firm will gain and hold advantage over rivals. (p.355)
Teece (2010)	A business model articulates the logic and [...] demonstrates how a business creates and delivers value to customers. It also outlines the architecture of revenues, costs, and profits associated with the business enterprise delivering that value. [...] In essence, a business model embodies nothing less than the organizational and financial 'architecture' of a business. (p.173)

Osterwalder and Pigneur (2010)	A business model describes the rationale of how an organization creates, delivers, and captures value. (p.14)
Amit and Zott (2012)	A business model is a bundle of specific activities – an activity system – conducted to satisfy the perceived needs of the market, along with the specifications of which parties (a company or its partners) conduct which activities, and how these activities are linked to each other. (p. 42)

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Even though these definitions vary considerably, Stampfl (2016, pp.28-29) identified five different roles attributed to BMs by academics in their definitions that are relevant for this research as they demonstrate how the BM can be used as a tool for holistic business analysis:

(1) Business models as real-life phenomenon

Even though the BM is not always easy to describe, every company has one and in this regard, the BM refers to the way a company does business (e.g. Osterwalder et al., 2005).

(2) Business models as models

Definitions that describe BMs as a model emphasise its usefulness in the way it depicts in a simplistic way how a company does business (e.g. Magretta, 2002; Baden-Fuller and Morgan, 2010). In this regard, the BM is a simplification of a real-world phenomenon and as such displays the key principles and identifies the elements and relationships of a firm. Moreover, it is an instrument which helps to analyse the business and helps managers to plan. Changes in a BM are reflecting the transformation in the 'core logic' of a firm within a dynamic environment (Linder and Cantrell, 2000; Faustino, 2013).

(3) Business models as a tool to structure organisations

To increase the business performance, various variables inside the organisation need to be coordinated and arranged. The BM is hence identified as an instrument to configure and align the components within a business organisation, making sure that the core business and the BM components are consistent (e.g. Demil and Lecocq, 2010).

#### (4) Business models as a mediator between technology and markets

The BM concept has also been described as an instrument to moderate between technological innovation and market outcomes (e.g. Chesbrough, 2007). Due to shortening product life cycles, a firm cannot solely rely on technology and product innovation to generate profits and competitive advantages. Thus, firms need to innovate and develop BMs that capture the potential of new technologies (e.g. Calia et al., 2007). New technologies are commercialised through novel BMs by organising the firm around the technology.

#### (5) Business models as a strategic variable

There is also a connection between the strategic variable of a business and its BM. According to Christensen (2001) the BM can be a source of a firm's competitive advantage and the literature furthermore suggests that the BM and especially the process of choosing one specific model represents a key element of a firm's strategy. This particular BM then determines what options are available to the firm to reach the business goal and also which competences it needs to establish (Casadesus-Masanell and Ricart, 2010; DaSilva and Trkman, 2014). Furthermore, a firm's strategy and its BM are closely related. This relationship is discussed widely in literature and therefore will be examined more closely in III.2.5., to give credit to its importance for the understanding of the BM and its adaption to environmental change.

In addition to the different roles of the BM described above, there are also similarities in most definitions. For instance, they usually address the concept of value creation<sup>29</sup> and the related transformation process from input into output goods as well as describe the structure of a business (Janello, 2010). Moreover, there is generally also a focus on strategic aspects. Hence Wirtz et al. (2016) delivered the most comprehensive and recent overview of existing definitions in literature as well as its components by examining 681 peer-reviewed journal articles obtained from the EBSCO database.<sup>30</sup> This analysis showed a recent convergence of BM views which led to the following definition:

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<sup>29</sup> This aspect of the business model is described in more detail in III.2.4.

<sup>30</sup> For the period between 1965 and 2013 they identified 16.950 articles with a sharp increase in the use of the term '*business model*' since the year 2000. Of these initial articles 2.823 were published in a peer-reviewed journal and used as a basis for further analysis due to the assured quality because of the reviewing process.

the business model is “a simplified and aggregated representation of the relevant activities of a company. It describes how marketable information, products and/or services are generated by means of a company’s value-added component. In addition to the architecture of value creation, strategic as well as customer and market components are taken into consideration, in order to achieve the superordinate goal of generating, or rather, securing the competitive advantage. (p.6)

Given that the BM concept will be used in this thesis to analyse and describe the changes in business practices, it is of importance that the definition taken as a basis can be operationalised. Therefore, the definitions by Mahadevan (2000)<sup>31</sup>, Osterwalder et al. (2005), Chesbrough (2010) and Wirtz et al. (2016) lend themselves the most for deviating categories for the fieldwork as well as for the analysis because they all describe the steps a business undertakes in order to generate and capture value. To conclude, for the purpose of this study a BM is defined as simplified aggregations of all business activities that aim to create, capture, and deliver value as well as a tool to analyse and structure a business. In addition to the value creation process it depicts the firm within the wider value network and illustrates in a simplistic way how a company does business within a network of partners.

In III.2.3 the different dimensions that form the foundation for the research are now described in detail.

### III.2.3. Components of a Business Model

As mentioned previously, even though the term ‘*business model*’ is used frequently by industry professionals, there is not one agreed upon framework to describe the model (Linder and Cantrell, 2000). With this lack of a common concept, it is hard to communicate the BM in the company as well as to stakeholders outside the firm (Stampfl, 2016). For this reason, various researchers started to develop BM frameworks (e.g. Janello, 2010; Osterwalder and Pigneur, 2010; Wirtz, 2013).<sup>32</sup> Wirtz (2014, p.1055) for example divides the integrated BM into six partial models: the market model (including competition and consumers), procurement, the production model, the service offer, the distribution and the capital model (incorporating the financing and the revenue model). In general, a framework creates a common understanding as well as a shared language and can be used to better understand a business along with its strengths and weaknesses. Therefore, the effect the changing market environment has on a business and its BM are easier

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<sup>31</sup> Janello (2010) used this definition as a basis for developing different business model dimensions, which will be explained in III.2.3. Those dimensions will then be used as a foundation for the questionnaire in this thesis because of the easy applicability in a face-to-face conversation.

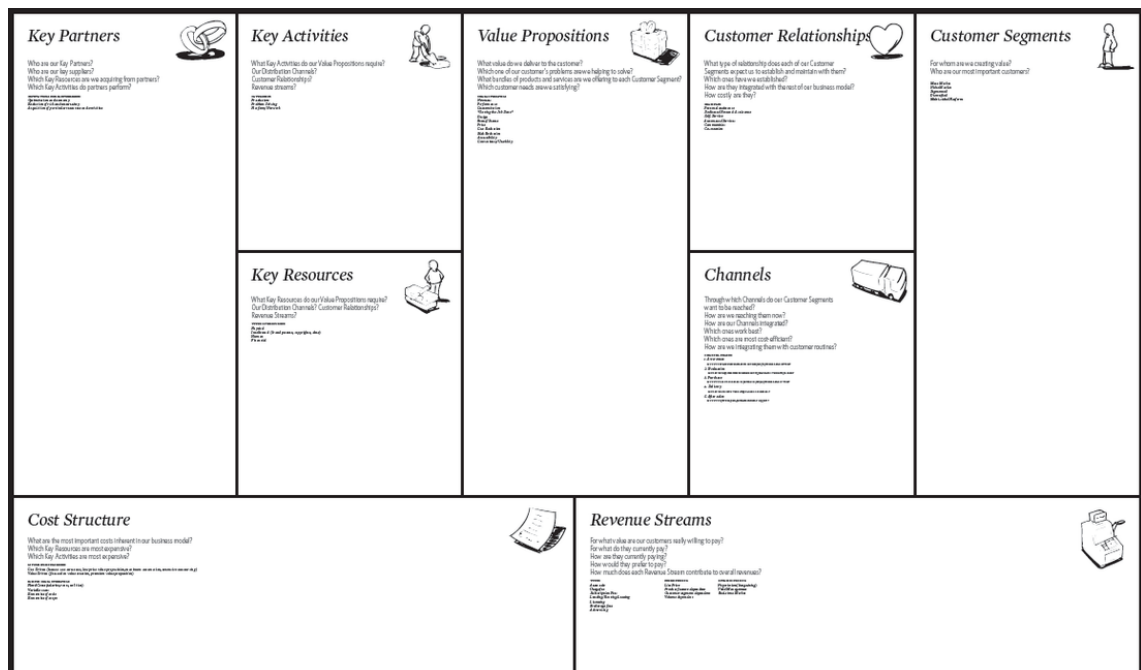
<sup>32</sup> A comprehensive overview of business model components and the related scholars is presented by Stampfl (2016, p.36).

to understand and additionally, developing a response to these transformations is more straightforward.

Especially helpful in this regard is the framework developed by Osterwalder and Pigneur (2010), as their model is a tool to visualise the BM of a firm. Their framework, “the business model canvas”, has gained popularity among scholars as well as practitioners because it includes the most important elements found in the BM definitions and is at the same time greatly comprehensible. The biggest advantage of this framework is the way it allows practitioners to work visually in groups and prototype various possibilities of alternative BMs as well as to re-configure parts of a BM (Chesbrough, 2010).

The authors define nine building blocks as constituting components of a BM: the value proposition, the customer segments, the channels through which the customers are reached, the relationship the firm has with its customers, the key activities it performs, the key resources and key partners that are involved in creating the value proposition as well as the cost structure and the revenue stream that describes how the company earns money. Figure III-1 shows how this canvas is used in managerial practice to analyse the different components of a company's BM.

Figure III-1: The Business Model Canvas



Source: Osterwalder and Pigneur (2010, p.44)

The canvas, however, omits the strategic perspective that is important for analysing how a firm is embedded into the value creation network of the industry, how the competitive situation looks like and how environmental changes might influence the BM of the future.

Hence, Amit and Zott (2015) derive the importance to focus on customer needs while creating a BM from a study on BM design. They further emphasise that BMs can show how and where firms expand industry boundaries. However, they criticise that most research on BM design focuses solely on firm-level characteristics.

A framework that also includes the industry environment of a firm is presented by Janello (2010) in his study on value creation in the digitised book market. He defines three dimensions that are closely related to the BM definition by Mahadevan (2000) and in addition, the dimensions also overlap mostly with the building blocks defined by Osterwalder and Pigneur (2010). He distinguishes between the following three dimensions: product architecture, revenue model and the value creation architecture on a micro and meso level. The product architecture describes the value offered to customers and corresponds with the value proposition defined by Osterwalder and Pigneur (2010). The revenue model states the sources of a firm's revenues and therefore defines also the key markets as well as the pricing policy. In addition, the architecture of value creation on a micro level refers to the process of value creation inside the firm. By contrast, the value creation on a meso level describes the position of the firm in the value creation system of the industry. Furthermore, Janello (2010) emphasises that interdependencies exist between both levels. For example, the disintermediation or reintermediation of down and upstream activities changes the position in the value creation system and hence transforms the connections between different firms in this system as well as the internal value creation processes of a firm. On the micro level the BM is seen as an instrument to analyse different ways of creating value and its effects on the value creation activities. In addition, the business can thus identify the configuration of activities best suited for the modified surrounding conditions.

This thesis draws upon those functions of a BM to analyse the changes in business activities due to digitisation in book publishing. Therefore the dimensions defined by Janello (2010) were used to design the questionnaire for the fieldwork as well as form the basis for the analysis of e-publishing practices in the following chapters. This approach was chosen because it is easy to apply and communicate in the interview-based research phase. It furthermore allows to talk about BMs without using the term itself which helps to create a common basis of understanding during the interviews. To conclude, Figure III-2. defines the BM concept used in this study.



*Figure III-2: Business Model Definition including Business Model Components*

For this study a business model is understood to describe the way a business **creates, captures and disseminates value** and how the business is positioned within the wider value network of the industry. It comprises three components: **the value proposition, the revenue model and the value creation process** on the micro (individual firm) and meso level (position within the value creation system of the industry).

#### III.2.4. Value Creation and Value Creation Networks

The BM is closely connected to the value chain as well as to the competencies of a firm since they all aim at generating a competitive advantage (Wirtz, 2014). Thus most definitions of a BM mention the value creation as purpose of a firm. For example, Faustino (2013) describes the relationship between both concepts as follows: “the business model represents a set of assumptions about how organizations operate in order to create value for all entities (stakeholders) they depend on, especially for customers, but not only.” (p.102). Overall, these notions depict the strategic thinking of a firm.

Furthermore, Wirtz (2014) states that the BM primarily analyses the individual value creation activities in a firm. His concept of portraying the value creation of a business goes back to the value chain analysis of Porter (1985). The value chain is a tool that depicts the stages of the value adding process, from the creation of a product to its consumption. In addition, it also helps to identify possible improvements in the quality of the in-house production processes. In its original form, the value chain was used for manufacturing companies, explaining what primary activities are necessary for the physical production and distribution of the goods. Moreover, supporting activities are included as they are required during the entire value creation process.<sup>33</sup> Value creation is then understood as the difference between consumer benefit and the total cost for the appropriation of the good.

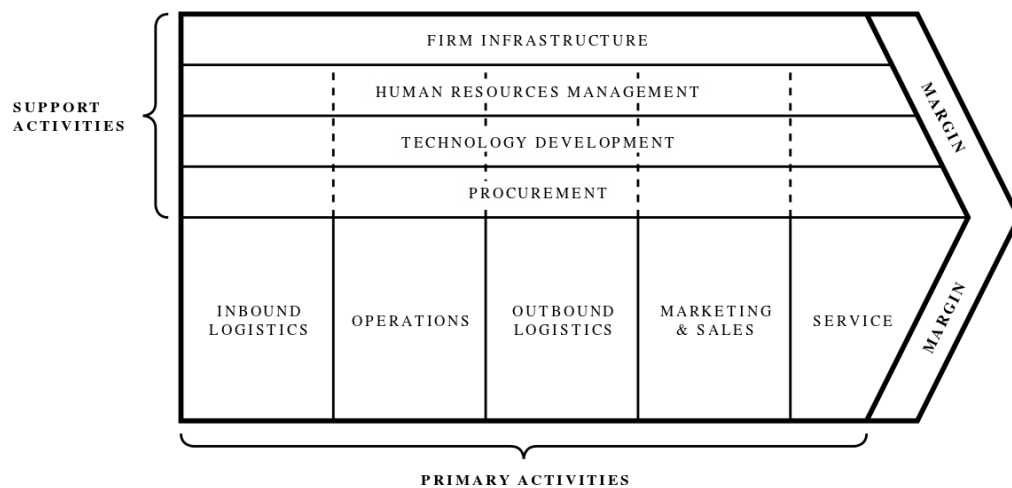
Today Amit and Zott (2001) are the primary representatives of the idea that the BM is a source of value creation. They define it as “a unifying unit of analysis that captures the value creation arising from multiple sources” (p.494). They also state that value can be derived from multiple sources: from novelty (e.g. new transaction structures and novel participants), from lock-in effects, from complementarities (e.g. between off- and online assets) and from efficiency.

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<sup>33</sup> Supporting activities according to Porter (1985) are procurement, the development of technologies, human resource management and the facilitation of the infrastructure.

Moreover, Janello (2010) emphasises in his work on value creation in the digitised book market the importance of the position of the firm inside the value network of the industry. This is of interest as the creation and distribution of media products are a result of a division of labour also involving players from outside the core book publishing industry. He concludes that the once linear value chain of a publishing house is transformed through vertical and horizontal shifts into a value creation network (cf. Figure III-4) (see also Bitran et al., 2003). In order to include the industry perspective, Janello (2010) divides the whole value creation process according to the micro level of the firm and the meso level of the industry. The micro level refers to the value chain concept of Porter (1985) as shown in Figure III-3.

Figure III-3: The Value Chain of a Firm according to Porter



Source: On the basis of Porter (1985, p.37)

Through digitisation and through the internet a more complex value creation logic emerged in most firms however. Therefore, the meso level and its dynamics in the value creation system need to be considered. To analyse changes in the publishing industry it is necessary to look at the whole value network which includes the collaboration and interplay of many different actors to deliver the highest value to the customers. Therefore, the value network concept is most promising and will be used throughout this thesis.

Following this logic, businesses are only responsible for some of the value creation activities. Most important is the interplay between the different firms and also the fact that changes in the surrounding conditions can lead to adaption in the value creation network (Janello, 2010). From an innovation perspective, businesses can change stable industry

structures through novel activities and products. Janello (2010) concludes that developments in the value creation system can be understood as entrepreneurial reaction to changing surrounding conditions due to innovation.<sup>34</sup> This means that firms need to develop dynamic capabilities which allow them to reconfigure and adapt their resources accordingly.

### III.2.5. Business Strategies vs. Business Models

The business model concept is also closely related but not identical with the strategy<sup>35</sup> of a firm (Magretta, 2002), even though the terms are often used interchangeably. Seddon concluded from a literature review on strategy and BMs that a BM is an “abstract representation of a firm’s strategy.” (cited in Stampfl, 2016, p.31). In addition, Magretta (2002) points out that the competition needs to be taken into account – this is the task of a strategy – the BM, however, focuses on how to deliver a unique value to customers. Hence the strategy formulates a goal and how the firm can reach it (Wirtz, 2013). The BM then aligns the company with this goal.

In agreement with this view on strategy and the BM, Faustino (2013) states that a BM incorporates the firm’s strategy by translating this strategy into a value proposition, a customer relationship and a value chain. Thus, the BM aligns the strategy with the organisation and the technology. A different perspective, however, is presented by Teece (2010) who sees BMs as a more “generic” concept than the strategy. He argues that the strategy adds the relevant details to the BM design in order to achieve competitive advantages.

In general there are two perspectives on this topic in the literature: BMs are either seen as subordinate or superordinate to the strategy (Foss and Stieglitz, 2015; Stampfl, 2016). Zott and Amit (2008) for example state that companies can pursue the same strategy but with different BMs. In this case the BM is subordinate to the strategy, being responsible for the implementation of the strategy. In line with this notion, Casadesus-Masanell and Ricart (2010) define the BM as a “reflection of a firm’s realized strategy” (p.205). They see the choice of a specific BM as a way to compete with other firms in the market and as an important part of the corporate strategy. Stampfl (2016) concludes that “[w]hile the business model focuses on the mechanisms of creating, delivering, and capturing value, strategy is more outward oriented and focuses on scanning the business landscape and accordingly shaping the competitive positioning.” (p.31).

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<sup>34</sup> The relationship between entrepreneurship and innovation will be further discussed in III.5.3.

<sup>35</sup> One can differentiate between the corporate, the product and the market strategy of a firm.

DaSilva and Trkman (2014) build upon the definition of Casadesus-Masanell and Ricart (2010) while also including a time perspective. They argue that “strategy shapes the development of capabilities that can alter current business models in the future.” (p.383). These dynamic capabilities aim to respond effectively to future eventualities. They are defined as the ability to anticipate, shape and capture opportunities and avoid threats while staying competitive by improving, protecting and, when necessary, rearranging a company’s assets (ibid). The scholars argue that the strategy therefore represents a long-term view as it is responsible for the development of dynamic capabilities to face upcoming or present contingencies. This is reached through the business model of the firm. They conclude by emphasising that “strategy’ reflects what a company aims to become, while business models describe what a company really is at a given time.” (p.383).

These views on strategy and BMs are in line with this research as a changing environment forces publishing houses to adapt to outside influences. Chapter III.3 will now describe in more detail how external influences have an impact on the strategy of a firm and will in consequence also alter the BM.

### **III.3. Business Model Innovation**

The environment of businesses is in a constant state of flux. Especially businesses that are affected by technological change experience huge changes in their environment. This is why they depend on the ability to recognise these changes in time and adapt their BMs accordingly as BMI is seen as another way to create novel values besides product and process innovation (George and Bock, 2011; Amit and Zott, 2012). Especially in times when businesses are increasingly exposed to external forces and market dynamics such as globalisation, deregulation, speed of development and technology as well as changing customer requests, BMI plays an important role because product and process innovations alone are not sufficient any longer to guarantee the firm’s long term success (Chesbrough, 2007; Wirtz, 2013). To date, the literature has emphasised that exogenous disruptions are driver for BMI (Wirtz et al., 2010; Spieth and Schneider, 2016). Especially technological advancements have increased the options of BM configurations that are available to firms (Casadesus-Masanell and Zhu, 2013). Additionally they have created new ways of communication for firms and customers (Teece, 2010). Businesses that are able to benefit from these “structural changes [by innovating their business models] so they can compete ‘differently’” (Casadesus-Masanell and Ricart, 2010, p.195) are more likely to generate a higher rate of return. Furthermore Volberda (1996) states that “[i]n the new mode of hypercompetition, [...] rents do not derive from specialized routines but from adaptive capability” (p360). In order to stay successful, the “ability to achieve new

and innovative forms of competitive advantage” (Teece et al., 1997, p.516) is important, especially by reconfiguring the company while survival and growth depend increasingly on organisational issues.

This means that firms need to find new approaches towards value creation, value capturing and towards the architecture of the firm (Stampfl, 2016). In addition flexible organisational solutions are necessary to be able to adapt to changing environmental conditions, especially through finding new ways to create value (ibid). This is a continuous process as Wirtz et al. (2016) state: “a current business model should always be critically regarded from a dynamic perspective, thus within the consciousness that there may be the need for business model evolution or business model innovation, due to internal or external changes over time.” (p.6).

There are several attempts to define BMI in scholarly literature. In short, BMI describes the process of finding new ways of how a firm does business.

At root, business model innovation refers to the search for new logics of the firm and new ways to create and capture value for its stakeholders; it focuses primarily on finding new ways to generate revenues and define value propositions for customers, suppliers, and partners. (Casadesus-Masanell and Zhu, 2013, p.464)

This definition is a synthesis of the studies most often cited in the field (Amit and Zott, 2001; Magretta, 2002; Baden-Fuller and Morgan, 2010; Teece, 2010). Nevertheless these definitions remain as vague as most of the BM definitions and especially how much a BM needs to change until it can be classified as BMI remains unclear (Spieth and Schneider, 2016).

In the relation to the media industry “business model innovation occurs when a firm adopts a novel approach to commercializing its underlying assets. One arena in which many firms with important knowledge assets are currently innovating is in the rising ‘markets for technology’, where firms sell rights to their intellectual property rather than themselves directly commercializing products and services based on their knowledge capital. (Gambardella and McGahan, 2010, p.263)

In recent times, scholars put forward clarifications of what newness in the context of BMI is. In his dissertation Stampfl (2016) for example states that a BM is new if one of the components of a BM is: industry model innovation (innovations in the value chain), revenue model innovation, and enterprise model innovation (innovation in the structure of a firm and the role it plays in the industry value chain). In the case of a change in the BM architecture he states that the relationship between the BM dimensions change as well, which in turn results in a new business architecture. This is related to the value chain

when new activities (forward or backward integration) are added to the activities performed by the company or when they are linked in a new way (Amit and Zott, 2012). Stampfl (2016) further emphasises that it is important to create new-to-the industry BMs to establish a sustainable competitive advantage. Thus Magretta (2002) concludes that “when a new model changes the economics of an industry and is difficult to replicate, it can by itself create a strong competitive advantage.” (p.92).

A similar approach to BMI is presented by Spieth and Schneider (2016) who describe BM novelty also according to the building blocks of a BM. They apply a transformative view to facilitate the commercialisation of new ideas and technologies. Changes in the BM then affect either the value offering (product architecture), the value creation architecture or the revenue model. More than one dimension can be part of the innovation process, however, as change in one dimension might lead to alignments in others. This way the existing BM of an incumbent firm is compared to a previous status quo to determine whether the BM has changed or not. The innovation in the value offering dimension refers to either existing but yet unfulfilled customer demands or to additional but not yet perceived demands. Secondly, the value architecture innovation leads to new combinations of a firm’s resources and competences within the network of external partners or the creation of novel competences all together. Third, innovations in the revenue model refer to changes in the way a firm earns money. Since these three dimensions form the basis of this thesis, this approach of BMs is used as a foundation for this research project. In the interview phase publishers were asked about the changes of those dimensions because of digitisation.

In addition, it has to be taken into account that established firms operate an existing model which remains unchanged while they develop a new BM in parallel (Stampfl, 2016). This may cause challenges when implementing the new BM because of strong internal constraints due to established assets, structures and business relations.<sup>36</sup>

#### **III.4. Business Models in Book Publishing**

Previously, some economic concepts have been introduced that help managers to analyse their businesses and find ways to adapt to changes in the market environment. This is helpful for book publishers whose business processes as well as the products itself have been affected by technological change and new competitors. The BM and the value creation network can help to analyse the emerging options of digitisation for publishing houses.

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<sup>36</sup> This is further discussed in II.1.2 (the handling of disruptive innovation through established firms).

The internet has created a new virtual marketplace, that offers novel opportunities to publishers which means it also presents an opportunity to reconfigure business and value creation models (Faustino, 2013). This in turn means that publishers need to experiment with new BMs as it is yet unknown how the book market will look like in the next decade.

The uncertainties about the future of the book are immense, as are also infinite the opportunities that new technologies present to generate new ways of reaching the readers, especially due to the impact of the Information and Communication Technologies (ICT) and the creation of new applications. (Faustino, 2013, p.88)

Many scholars and professionals have been claiming lately that the new technologies have had a disruptive effect on the book publishing industry (Faustino, 2013). A less drastic view is represented by Colbjørnsen (2014) in his doctoral thesis: the Norwegian publishing industry is characterised by continuity because old BMs still work and in some cases could even be transferred to the digital market place. He concludes that the developments in the Norwegian publishing industry can rather be described as evolution and adaptation than revolution. Magadán-Díaz and Rivas-García (2018)<sup>37</sup> experience similar developments in the Spanish publishing market where existing BMs are still dominant while publishers explore new opportunities of electronic publishing. Through selling merely digital versions of the printed book the publishers try to minimize risk by focusing on established BMs. Spanish publishers consider digital products and services to be secondary to the printed book and hence the electronic distribution replicates the traditional way of distributing print books (ibid).

These findings affirm Faustino (2013) claims that “[a] new technology does not always substitute a less recent technology<sup>38</sup>; the printed page is not yet about to disappear.” (Faustino, 2013, p.87). This means that publishing houses compete in two worlds: a physical one where they can see the resources and in a digital world made of digital information. In addition, publishers have started to realise that paper is not what makes them a publisher or defines them as a book business but that it is selling content regardless of the medium. This includes immaterialised products like e-books and reaching reader through digital media (Faustino, 2013). Furthermore, these new technologies allow publishers to look for new audiences online (ibid). Nevertheless,

from the perspective of the impact in the business model (and its value chain), the Internet (and the World Wide Web) constitute the most significant technologies of

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<sup>37</sup> Their research as well as Colbjørnsen’s focus on large publishing groups. The implications of digital change for business models of SMEs were not discussed.

<sup>38</sup> The assumption that new media does not substitute old media and that they instead exist next to each other was first formulated by Riepl in 1913 (cited in Hass, 2002, p.31). This is known today as Riepl’s law.

the last decade, having contributed to the emergence of disintermediation processes and also to the reduction of distribution costs, thereby establishing direct relationships between the content owners and the consumers, connecting users with hundreds of thousands of content sources around the world. (Faustino, 2013, p.92)

Moreover, this presents novel opportunities especially for smaller publishing houses as the internet has also led to a fragmentation of the supply and demand side. This means that next to the mass market and bestsellers the internet allows for more fragmentation and specialisation which offers advantages to small niche publishers. Faustino (2013) calls this “emergence of a niche culture” (p.101), which was previously neglected by large publishing houses. Nevertheless, today’s publishing world is also affected by an increase in the concentration of ownership (Thompson, 2010).<sup>39</sup> Large publishing conglomerates have an important success factor as they can invest more heavily in new technologies and profit from economies of scale. That this is not always the case shows recent research into the Spanish publishing market. The lack of initiative from large publishing groups to sell and distribute e-books left a gap in the market which is filled largely by new actors from outside the publishing industry such as soft- and hardware companies with new BMs (Magadán-Díaz and Rivas-García, 2018).

Overall, however, the book market has already started to adapt and reinvent itself as publishers are much closer to their audience, offer a wider range of choice and new formats of books. As Faustino (2013) concludes, “[t]he audience is increasingly broad and the book industry has been feeling the need to respond by extending its markets and innovation processes and products.” (p.96). However, the question remains how the situation looks like in smaller nations in Europe.<sup>40</sup> In this context the BM, value chain, key resources and key competencies play a vital role in understanding what makes media companies successful. As Wirtz (2014) states “[b]usiness models, value chains and competencies are of paramount importance for the achievement of competitive advantages in media companies.” (p.1041) and therefore will, as mentioned before, form the theoretical framework for this dissertation in answering the question how small publishers in small nations can succeed in times where physical book sales are replaced by lower-priced e-book transactions (Faherty, 2013) and publishing faces a decrease in readers due to strong competition from other forms of online entertainment.

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<sup>39</sup> Faustino (2013) gives an overview of the advantages of publishing conglomerates: it is a way to strengthen their position when it comes to negotiation, marketing and funding. Through economies of scale and synergies these large conglomerates can work more efficiently and can reach a more dominant market position. In addition, they can share knowledge and diversify risks as well as invest more capital in innovation. Nevertheless, the fear of a subsequent reduction in pluralism in genres and authors remains.

<sup>40</sup> This will be addressed in Chapter V.



### III.4.1. Emerging E-Publishing Business Models in Book Publishing

Now that digitisation also affects the book publishing industry, scholars have started to analyse the changes that occur in the BMs of established print businesses. For instance, Wirtz (2016) identified four different types of BMs in the online business-to-consumer (B2C) environment, differentiated according to their offerings: content, commerce, context and connection. His publications focus largely on the investigation of the Web 2.0, online platforms that specialise on connection and encourage participation and social interaction between users (O'Reilly, 2007), and its implications for BMs and especially the internet as evolving marketplace as well as a communication platform. Hence, businesses using only traditional BMs need to position themselves in this new online environment as the Web 2.0 offers all businesses new ways to connect and communicate with its customers.<sup>41</sup>

This new social web has also an impact on established businesses like publishing houses. Content BMs rely on reaching an audience. So these social web tools can not only be used to reach new audiences but can also help to develop a close relationship with readers. To sum this up, the Web 2.0 affects mainly the production and distribution dimensions of the BM. Publishers can use customer feedback and user generated content for their mission to create value for their readers. In addition, through recommendation systems and easy shopping opportunities the web offers new possibilities for publishers. This means also that innovations from outside the firm need to be integrated and therefore publishing houses need to observe the market constantly to be up to date with innovative ideas (Wirtz et al., 2012).

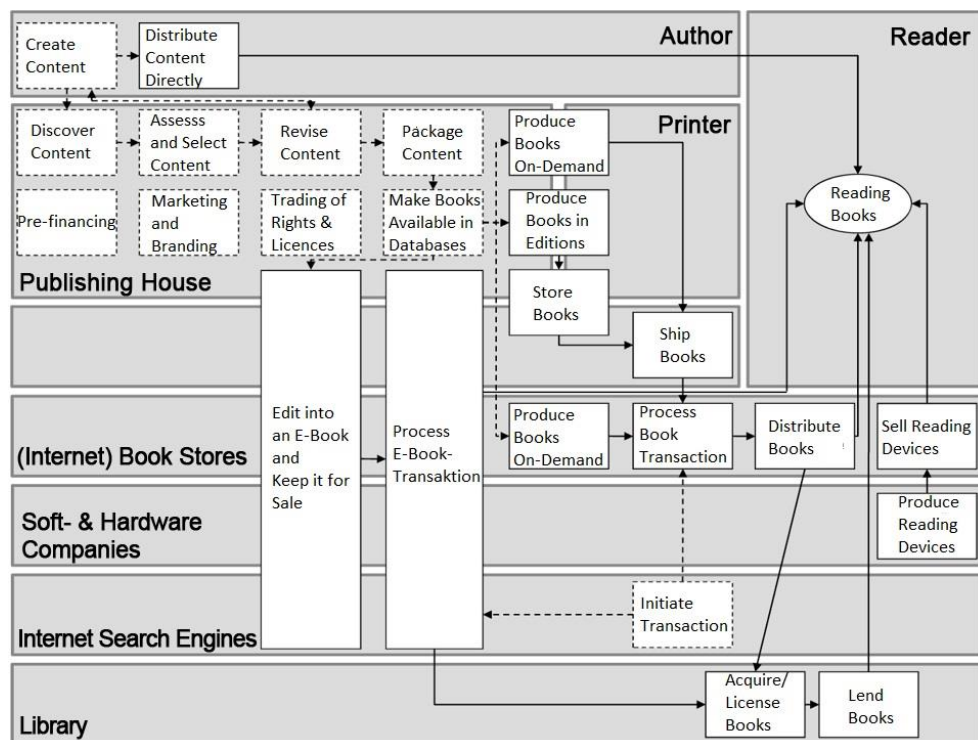
A research project that focuses more closely on established book publishing houses and their changing value creation processes as well as the implications for emerging new BMs has been conducted by Janello (2010).<sup>42</sup> He concludes that digitisation affects the value creation of book publishers in manifold ways. It changes the structure of the whole industry in a multi-optional and complex value creation network. Here the traditional players are confronted with new competitors that are mostly web-based and from outside the industry. In conclusion he develops a new value creation system for the publishing industry (Figure III-4).

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<sup>41</sup> Wirtz et al. (2012) established a Web 2.0-4-factor-model: interaction orientation (including customer centrality, interaction configuration, customer response and cooperative value generation), customization and personalization, user-added-value (user generated content) and social networking (virtual word of mouth, customer power, social identity and social trust). For further information see also Wirtz (2016).

<sup>42</sup> The study focuses on the German book publishing industry.

Figure III-4: Value Creation System of the Digitised Book Market



Source: On the basis of Janello (2010, p.97)

Another research project that focuses on established publishing firms emphasises that these businesses are still bound by their print centred BMs which results in them being accused of sticking to malfunctioning BMs, while start-ups and new entrants seem to be the prime beneficiaries of the technological change (Faherty, 2013). Faherty (2013) looks at novelty-centred BMs of established publishers. In her study she classified nine large publishing houses according to their BMs and, by doing so, could identify four categories of BMI with which they create value for their organisations, authors and consumers: developing new distribution mechanisms and sales transactions, breaking down barriers between publishers and consumers, capturing new revenue streams, and the transformation into a service business. This study shows that established publishers are experimenting with new BMs and not only with new technologies and formats. They are following Chesbrough's (2010) notion, that new technologies only deliver value if a suitable BM can be found. An unanswered question, however, remains: what enables established publishers to develop new BMs and create new value while others are unable to do so? As Chesbrough (2010) points out

the root of tension [is] the conflict between the business model established for the existing technology, and that required to exploit the emerging, disruptive technology. [...] [F]ollowing 'dominant logic' can lead firms to miss potentially valuable uses of technology [which] do not fit their current business model. (pp.358-9)

Furthermore, there is one report published by strategic management consultancy Dosdoce.com (2015) looking specifically at digital BMs, published in the context of *TISP* (Technology and Innovation for Smart Publishing).<sup>43</sup> The findings, however, show a narrow understanding of the term, ‘business model’, as only new revenue models are listed that emerged due to digital advancements. Furthermore, the researchers present examples from different creative industries and hence not all listed revenue models are applicable to the book publishing industry. Overall, this report is aimed at industry professionals, highlighting the opportunities of these revenue models with the aim to find the right mix of new and old ones. Table III-2 builds on this research in adding implications for the book publishing industry of those new revenue models and furthermore adds the other two BM components (value proposition and value creation process) discussed previously (Figure III-2). It thus gives an overview of the most relevant opportunities of emerging changes to BM components through digitisation. These components discussed below are, however, not selective and crossovers exist.

*Table III-2: Emerging Digital Business Models in Book Publishing*

*Business Model Components    Implication for Book Publishing Houses*

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**Revenue Model**

Providing Access to Digital Content

There are two prevalent modes of accessing digital content which are often offered simultaneously:

- a) Download = Offline Access (content can be downloaded to reading devices for offline access; terms of access depend on the licensing agreements whereby the use of content can be restricted through DRM measures)
- b) Streaming = Online Access

Subscription: This revenue model is used to describe flat rate streamed or downloaded content. Platforms provide unlimited access to their database of content and users who pay the fixed amount for a subscription are entitled to access all content. Examples for subscription services in book publishing are *Amazon’s Kindle Unlimited* and *Scribd* who offer unlimited access to their databases of books for a monthly fee.<sup>44</sup>

E-Lending: This term is used to describe the library lending of e-books. The library usually buys licenses that allow it to lend e-books and then charges a membership fee from readers who want to borrow them. Different types of licens-

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<sup>43</sup> *TISP* is a European project, aiming to foster the connection between publishing companies and ICT. Javier Celaya, founder of dosdoce.com, publishes annual studies about trends in the creative industries, especially focusing on the use of new technologies in the cultural sector.

<sup>44</sup> The majority of content that can be accessed through a *Kindle Unlimited* subscription, however, comes from self-publishers (*amazon.co.uk, 2018; Kindle Direct Publishing, 2018*). *Scribd* on the other hand does not focus on self-published content but does not yet support most e-readers (*Scribd, 2018*).

ing models exist today. Additionally, e-lending service providers have emerged (e.g. *OverDrive*) who facilitate the infrastructure behind the lending of e-books and audiobooks to library members.

Fragmentation of Content: Being able to charge small amounts of money (micropayment) allows for fragmentation of content through mostly in-app purchases. Furthermore, it enables publishers to offer chapters for individual purchase as well as serialised content that can be accessed through apps. *Amazon*, for example, offers with *Kindle Singles* short texts for individual purchase. Other examples are apps that offer additional content in bundles for readers to purchase. Moreover, the terms Pay-Per-Use and Pay-Per-View refer to how often content can be accessed or used. Instead of paying a flat fee, consumers can also purchase content individually. For example, publishing houses can charge libraries for each time a patron accesses an e-book. The concept can also be used to describe how *Amazon* pays authors who make e-books available through *Kindle Unlimited*. Authors are paid for every page a subscriber reads instead of for the whole e-book.

Embedded Advertisement	Content is usually offered for free or for a cheaper price but with advertising that has been embedded into it. Hence, the revenue from advertising companies helps to pay for the product.
Sponsoring	Free content is distributed to consumers and the sponsor pays for the production and delivery of the product (popular as part of Corporate Responsibility).
Freemium	This is a combination of the terms, 'free', and, 'premium', where the basic service is free and companies charge for an enhanced functionality of a product or service (Wilson, 2006; Despot et al., 2015). For example, apps often provide access to the basic version for free and additional services or content is purchasable through in-app-purchase. <sup>45</sup>
Crowdfunding	This is a form of micro sponsorship where sponsors who are personally interested in an idea volunteer to pay for the realisation of this idea. <i>Kickstarter</i> is one of the established platforms today and additional, more specialized sector-specific crowdfunding platforms exist. <i>Unbound</i> , for example, is a crowdfunding publisher which allows authors to pitch their ideas to readers and when they gather enough financial support the book is published.

## Value Proposition

Product	This part of the value proposition refers to offering content in new forms that were enabled through digitisation. This includes bundling (i.e. a combined selling of several products together for a price that is cheaper compared to when products are being bought separately) which usually means selling the print version together with the digital version. In addition, it includes e-book only offerings, podcasts, audiobooks, enhanced e-books and print books (i.e. augmented reality), apps (including gamification components and other forms of interactive storytelling), online databases and services related to them. It refers to all forms of digital content
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<sup>45</sup> *24symbols* is an example of a freemium offering in book publishing: it offers a free cloud reading service with advertisement where the version without ads charges money (24symbols, 2018).

or products and services enabled through digitisation (e.g. serialization, short stories in digital form, voice driven stories, apps for content discovery as well as offering free content to gather insight into reading habits and preferences or even paying customers to read and listen to books).<sup>46</sup>

**Customer** This part of the value proposition refers to the people the offerings are created for and what they are looking for in a product. It includes co-created offerings together with readers as well as the option to individualise e-books.

**Channel** This describes how the value proposition is offered to prospective customers. Direct selling, for example, is an additional source of income for publishers beyond the traditional model of retailing and lending through third parties and is usually provided through the publishers' website. Furthermore, it allows publishers to establish direct contact with readers and collect data on consumer behaviour. Self-publishing platforms are another way to incorporate an additional distribution channel as well as new content into the BM of publishing houses. They can benefit from a growing number of authors who want to self-publish their books by creating a platform that facilitates the selling of those books (either in digital form or with PoD in physical form; an example for this is *Neobooks*, a German initiative, or *Wattpad* as a community of authors and readers). This is also an example for an additional source of income to supplement the traditional business and the established ways of selling digital content (i.e. web-shops like the *iBooks Store* or *Amazon's* online shop). In addition publishers have the opportunity to reach a wider audience more easily because of the internet and the lack of borders online (e.g. the possibility for readers to access content from abroad and especially niche content that is easily findable with an online search of keywords). Language barriers, however, need to be taken into account.

**Communication** This part of the value proposition includes all new ways of reaching and communicating with readers. This means largely social media (*Instagram, Facebook, Twitter, etc.*) and communities of readers online (*Goodreads, etc.*) as well as bloggers but also the message that is being communicated (e.g. price promotions on *Amazon*, for example, or giveaways on *Goodreads* to draw attention to e-books). In addition, the popularity of certain individuals on social media sites becomes increasingly important for publishers as an indicator which stories might be worth publishing or who might be suitable to approach for a book deal (this includes also the *Wattpad* community). Furthermore, online book clubs are another way for publishing houses to engage with readers.

## Value Creation Process

**Micro Level  
(Individual Publishing House)** The value creation process of individual publishing houses refers to the production processes in-house and includes management decisions about outsourcing certain activities. New activities that need to be included in the value creation process are digital content production and distribution (including meta data management and direct sales) as well as

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<sup>46</sup> An example here for is *Readercoin* who pay readers for every 10 minutes spend reading an e-book or listening to an audiobook.

marketing of those products. Today also workflows are increasingly managed digitally (e.g. content management systems) and offices are equipped with software for all kinds of jobs.

Meso Level  
(Publishing Industry Value  
Creation Network)

On an industry level new service providers have entered the publishing industry that need to be integrated into the publishing network. This includes e-book aggregators who distribute digital content as well as service providers who produce digital content for publishers. It also refers to new competition in form of self-publishing and other digital content providers as well as new distribution platforms and hardware companies.

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Source: In parts on the basis of Dosdoce.com (2015)

This overview presents different options for publishing houses to incorporate new strategies and offerings into their BMs. It demonstrates how they can make use of technological innovations and gives examples of what others are already doing. The list, however, is not exhaustive as there are many options to test new ideas and incorporate innovative approaches. As technological advancements keep changing the publishing industry, new BM components emerge all the time (e.g. voice-first technology) so it is important for publishing houses to stay flexible and innovative in their strategies.<sup>47</sup> Theories discussing those innovative mind-sets in relation to small companies will be addressed later (III.5.3).

To sum this up, the overview above presents a starting point for this thesis as some questions emerge: which of these BMs are suitable for small-nation publishers to create new value, reach a wider audience and generate additional revenue? Answering these questions will help to understand better what possibilities for small-nation publishers arise through digitisation and why some BM configurations may not be suitable and why some small publishers are actively seeking out digital publishing options whereas others are hesitant to do so. It must also be considered that policy frameworks might interfere with the implementation of those models. All those questions and considerations will be addressed in Chapter V.

#### III.4.2. Summary – State of Business Model Research in Book Publishing

This chapter introduced the framework that will help understand and analyse how small publishing houses in small nations in Europe adapt to digitisation and changes in the

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<sup>47</sup> Devices such as Amazon's Echo are voice assistants that influence for example how consumers discover new products. It is seen as a new distribution and marketing channel that allows content creators to tell stories in a different way (Metrock, 2018).

wider publishing industry (visible in BMI and new strategies). As the previous paragraphs have demonstrated, the book publishing industry is changing due to digitisation and the spread of the internet. Some publishing houses have already taken steps to adapt to this changing environment and several publishers have even innovated their BMs along with their strategies.

BMs are a helpful tool for managers to analyse and understand their business architecture and its position in the market environment. Furthermore, it presents a helpful concept to analyse how external factors like technological change affect a business. With the help of the BM concept an analysis of potential answers to this changing environment is possible. BMI comes into play when long term strategies change and publishing houses, for example, need to adapt their whole business from the production process to how they reach their readers and with which partners they work together. As seen in this chapter, the BM is a valuable concept that seems to be the appropriate framework for the investigation of how digitisation affects small publishing houses, why some of the mentioned new digital BMs work and why some might not be suited after all. It is also a way to investigate how the market environment, like policy frameworks, affect the adoption of digital strategies.

### **III.5. Small Business Theory and Entrepreneurship**

When looking at publishing houses in small nations in Europe, one is confronted with a large majority of small businesses as opposed to international publishing conglomerates, who tend to operate in larger nations and larger language markets. Hence the following sections look at the implications of company size for business strategies, management decisions and overall innovation capabilities when confronted with technological change. In addition, entrepreneurship is addressed in the context of new innovative firms entering the market, trying to capitalise the technological change as well as a means of innovation within a company setting, also referred to as corporate entrepreneurship or intrapreneurship (Bessant and Tidd, 2015, p.11).<sup>48</sup>

#### **III.5.1. Small Business Research**

In the past, after protectionist trade barriers started to fall away in the 1950s and 60s, industrialisation, mass production (economics of scale) and the development of a global market place have favoured big companies (World Trade Organization, 1986; Stokes

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<sup>48</sup> The *Silicon Valley* in the USA is an example for an ecosystem that fosters what is referred to as start-up culture and that saw an upsurge of new firms over the last decade with some firms growing quickly into very powerful global corporations. This has led to increased support for people wanting to start new firms based on the digital advancements (e.g. incubators, angel investments, venture capital, etc.).

and Wilson, 2010). This has in turn led to a focus on corporation and globalisation research instead of looking at smaller businesses. In recent times, however, attention shifted towards entrepreneurship and small business research due to the fact that small and largely new firms have done more to create wealth and foster development than large corporations (Burns, 2007, pp.17-25).<sup>49</sup> Drucker (1985) was one of the first to analyse the shift to an increasingly entrepreneurial economy in the United States from the perspective of innovation as a purposeful task of a company or an entrepreneur. Furthermore in the UK the *Bolton Committee Report* (1971) assessed the importance and functions of the small firm sector, concluding that particularly small firms contribute towards a healthy economy because of their innovativeness in creating new products, services and processes. At the same time the *Bolton Committee* saw in those firms the origin of new industries, a point of entry for entrepreneurs who start to grow companies of the future from there. Nonetheless the report concluded with the prediction that the small business sector will decline in favour of concentration because of the strong powers of economy of scale and market entry barriers. Today, however, the opposite is true, as small firms are being viewed as leading in the contribution to economic growth and employment (Stokes and Wilson, 2010, pp.9-12).<sup>50</sup> Especially new ventures are regarded as synonymous with innovativeness as they fill gaps in the market that large corporations do not see due to their inertness (see also Chapter II.1.2). Thus it is important to have a closer look at why the importance of small firms has not diminished as predicted by the *Bolton Committee*.

The expansion of the service sector in Europe as well as the development of information technology are the reasons for the growing small business sector as it provides an opportunity to set up businesses more easily (Stokes and Wilson, 2017, pp.12-5). Especially the new technologies have helped facilitate smaller firms by alleviating communication and allowing for flexible working structures as well as smaller market segments to be served, allowing businesses to cater for individual customer needs more straightforwardly (Burns, 2007, p.8). Moreover, with regards to publishing, those technologies allow for content to be produced anywhere as well as distributed worldwide in seconds through the internet. This has had a particular effect on publishing houses as “[e]veryone can produce a book with a PC and an internet connection nowadays. Only the right partners

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<sup>49</sup> The majority of businesses in member states of the OECD are SMEs, accounting for 60% of employment as well as up to 60% of value added (OECD, 2017). Additionally in the EU SMEs account for 99% of all businesses, have created 85% of all new jobs in the past five years, and provide two-thirds of the private sector employment (European Commission, 2018a, 2018c, 2018h). Hence the European Commission stresses the importance of SMEs and entrepreneurship for innovation, economic growth and job creation (European Commission, 2018c) as well as encouraging a more entrepreneurial economy (Stokes and Wilson, 2017). Burns (2007, p.5) furthermore states that 95% of the wealth of the USA was created since 1980, meaning that new firms did more to foster economic growth than established ones.

<sup>50</sup> SMEs are, however, not more profitable than larger ones when looking at the return on investment (Dewhurst, 1996a).



are necessary – a publisher is no longer required” (Clement et al., 2009, p.6).<sup>51</sup> Consequently small businesses, even without previous publishing experience, can enter the market, cater for a niche and thus increase the competition for established publishing firms. Lastly new printing technologies reduced the fixed costs of production and allowed for smaller and more flexible print runs as well as a faster availability of books, hence supporting niche publishing and one-off products created by mostly small companies even further (Burns, 2007, p.8). To conclude, this has allowed for fragmentation in publishing with small firms profiting from specialisation and the increased need of larger corporations for service providers.<sup>52</sup> It must be taken into account, however, that the number of small firms being established is different around the world with the USA for example providing a more supportive and encouraging environment for firms as they are providing easier access to funds and lowering costs to set up a business (Stokes and Wilson, 2017, p.23). In Europe differences in firm dynamics exist which can be attributed to distinct policies and government support of the small business sector in the individual member states.<sup>53</sup>

### III.5.2. Characteristics of SMEs

Defining characteristics of SMEs explain their distinctive approach to management and business compared to large corporations, namely that they are less concerned with formal structures as the decision-making process involves fewer individuals, hence, decisions will be implemented more quickly (Storey and Stykes, 1996; Burns, 2007, pp.14-6). In addition the personality of the owner, manager or director is of increased importance because small firms are managed in a personalised way due to less developed management structures with little devolution or delegation of authority (Bolton, 1971, pp.1-2; Mintzberg, 1983, pp.157-9). Therefore SMEs can decide quicker and be more responsive to change in the marketplace, but are at the same time much less able to influence such developments, as they have little overall market power due to limited resources (Burns, 2007, p.14).<sup>54</sup> Moreover, they either cannot set prices because of their small customer base or they occupy a niche with hardly any competition where they can

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<sup>51</sup> This, moreover, resulted in an explosion of available content online, mostly in English and for free.

<sup>52</sup> In addition to economies of scale network effects and closed platforms like *Amazon* are on the other side developments that were encouraged by digitisation leading to the formation of international corporations which can be seen as hampering small publishers.

<sup>53</sup> This refers amongst other things to access to money as well as taxation law. Given the importance of SMEs for job creation in Europe, the EU for example supports small firms with several initiatives to level the playing field. One of the initiatives (COSME) for example provides financial resources as well as support for SMEs wanting to access other markets in the EU (Your Europe Business Portal, Enterprise Europe Network, IPR Helpdesk) and reducing the administrative and regulatory burdens in the EU by fostering a business friendly environment in addition to encouraging entrepreneurship (e.g. education, mentoring) (European Commission, 2019a).

<sup>54</sup> Exceptions are small firms catering for specific niches or operating in small geographic markets where they tend to have a strong market position with a high market share.

control the prices (Bolton, 1971, p.2). Furthermore SMEs command over significantly fewer resources compared to larger enterprises and cannot raise capital in the same way large companies can which has major strategic implications, as it constrains them in the plans they can implement (Burns, 2007, p.15). Moreover, scale has a big effect on the economics of small businesses, which manifests itself during financial evaluations when decisions about the strategy are being made (ibid).<sup>55</sup> Hence most small businesses focus on a single market while offering a limited range of products or services which in turn makes it harder to diversify the business risk. At the same time the large number of SMEs in sum add significant value to the variety of products and services offered as “they can flourish in a limited or specialised market which would not be worthwhile or economic for a large firm to enter.” (Bolton, 1971, p.343).

Overall those characteristics influence how small firms do business as well as react to market change and in turn how likely the firm is to survive in the long term. The most important factor posing a threat to a small firm’s lasting success is the inability to exert much influence on the market which makes it likely that small firms face significant competition resulting in a higher risk of failure where entering a market niche is no solution. Lastly the scope of operation is limited and thus small firms struggle to diversify the business risk.

### III.5.3. Innovation and Entrepreneurship in SMEs

The second chapter introduced the concept of disruptive change as well as described the accelerating pace of change due to digitisation and the spread of the internet along increased mobile device ownership as well as the implications of those developments for the publishing industry. Hence Burns (2007) argues that small, entrepreneurial firms tend to survive and prosper in an uncertain and turbulent market environment, because they see change as an opportunity or create change themselves. Larger firms have started to replicate the success of small firms by reorganizing and dividing their organizations into smaller units, which too allows them to be more responsive to market change (Burns, 1996). Overall innovation and entrepreneurship are seen as reasons why small firms are successful in capitalising on change. For that reason the following sections define what these concepts mean and why especially SMEs are considered to be innovative and entrepreneurial.

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<sup>55</sup> For example, taking on a new member of staff is a major strategic decision for small enterprises that results in a steep increase in fixed costs.

### III.5.3.1. Innovation

Innovation can broadly be defined as identifying or creating opportunities which includes finding new or better ways of serving existing customers, finding new markets, meeting new needs or improving operations (Porter, 1998; Bessant and Tidd, 2015). This involves the creative use of existing technologies as well as original inventions (Burns, 2007). Furthermore innovation is important as a source of technological progress which does not only reduce production costs through “improvements in design, materials or production processes, but which also stimulates economic growth and allows the widening of consumer choice through making available entirely new goods and services.” (Bolton, 1971, p.49). In addition innovation is seen as a tool of entrepreneurs to exploit change. It means finding opportunities to establish a new form of business or service and thus capitalising on those opportunities. Drucker (1985) summarises this as follows: “[s]ystematic innovation therefore consists in the purposeful and organized search for changes, and in the systematic analysis of the opportunities such changes might offer for economic [...] innovation” (p.31). This also means that the majority of successful innovations rather exploit a form of change than create change.<sup>56</sup> Hence Porter (1990) concludes that the majority of innovations are incremental, consisting of the cumulation of small advances rather than one major technological breakthrough.

Another important aspect of innovation is the source. Porter (1990) argues that information exclusive to a firm is crucial for the innovation process. Firms acquire this information either through research and development (R&D) or through openness and

looking in the right place unencumbered by blinding assumptions or conventional wisdom. This is why innovators are often outsiders from a different industry or a different country. Innovation may come from a new company, whose founder has a non-traditional background [...]. Or the capacity for innovation may come into an existing company through senior managers who are new to the particular industry and thus more able to perceive opportunities and more likely to pursue them. [...] Or innovations may come from another nation with different circumstances or different ways of competing. (Porter, 1990)

The advantage of an ‘outsider’ perspective is a way to explain why established firms have a harder time adapting to change and thus innovate. It also helps to explain why it were mostly hard- and software companies or digital native firms like *Amazon* and *Apple* who have transformed the publishing industry.

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<sup>56</sup> This form of innovation, which then creates the opportunity for others to do things differently or to create new things, is rare.

To sum this up, innovative firms are important for national economies. According to the European Commission (2018d) companies who prioritize innovation are also those who experience the highest increase in turnover.<sup>57</sup> Especially providing new products and services from technological breakthroughs and from new processes and BMs create growth opportunities. Research into factors characterizing successful SMEs in Canada has furthermore found that innovative enterprises typically are overall more successful than those who do not innovate (Bessant and Tidd, 2015, p.5). In addition enterprises that gain market shares and that are profitable are those who are innovative (ibid). Hence one can assume that innovation plays a key role for the long-time success and survival of any business.

### III.5.3.2. Entrepreneurship

The terms small business owner and entrepreneur are often used interchangeably despite the differences in meaning. Small businesses are independently owned and mostly not dominant in their field as they rarely engage in new or innovative practices due to lack of resources. Therefore the owner is seen as someone who prefers a stable and less aggressive approach to business with a focus on steady income (Hodgetts and Kuratko, 2001). On the other hand entrepreneurial businesses are those that prioritize innovative strategic practices which lead to profitability and growth. Therefore owners of small businesses are not necessarily entrepreneurs, as an entrepreneur is defined as a "person who sets up a business or businesses, taking financial risks in the hope of profit" (Oxford Dictionaries, 2007, p.341) with the goal to exploit some form of change. This process is called innovation and is the tool of entrepreneurs (Drucker, 1985, p.17). The results of entrepreneurial behaviour can be summarized as follows:

[entrepreneurs] create value by exploiting some form of change, for example in technology, materials, prices or demographics. [...] Entrepreneurs, therefore, create new demand or find new ways of exploiting existing markets. They identify a commercial opportunity and then exploit. Central to all of this is change. Change causes disequilibrium in markets out of which come the commercial opportunities that entrepreneurs thrive upon. (Burns, 2007, p.9)

This shows that entrepreneurship is a way of explaining the commercialisation of new opportunities, especially resulting from technological change. Overall entrepreneurship is the process of bringing invention to the marketplace and is linked to national advantage and economic development. This includes the development of new processes, new and better products as well as novel forms of marketing, cheaper or better ways of distributing existing or new products as well as new financing methods. In short it means breaking

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<sup>57</sup> 79% of companies that had introduced at least one innovation since 2011 saw an increase in turnover by more than 25% by 2014 (European Commission, 2018d).

away from established patterns and doing new things or doing things differently (Schumpeter, 1939, p.59; 1947; Drucker, 1985).<sup>58</sup> This goes back to Schumpeter's notion of 'creative destruction' caused by entrepreneurs who "upset and disorganize" (Drucker, 1985, p.23) the traditional way of doing business by replacing them with new ways (Scarborough, 2012) and thus leading to change as a normal occurrence in the economic cycle.<sup>59</sup> This is especially true today where digitisation has led to discontinuous change in almost all industries by enabling new products, services and ways of doing business.

In general entrepreneurship can be looked at from two different perspectives: it can be seen as a personal quality or temperament of an individual or as the actions of an individual during decision-making processes in uncertain and risky market situations, meaning that entrepreneurship is rather a learned behaviour (Drucker, 1985, p.23; Burns, 2007, pp.30-2). Due to this association with personal qualities and behaviours the term is hard to define as for example characteristics change over time and are rather subjective. For instance Burns (2007) argues that entrepreneurs can be characterised by certain actions like taking initiative and risks, which is hard to spot.<sup>60</sup> In addition entrepreneurship as an emergent process is hard to study, because the result of the process as well as the actions can only be evaluated once they have taken place (Schumpeter, 1947). Following the behavioural perspective on entrepreneurship, the way an individual responds to change is the central defining attribute of entrepreneurs as well as determines the success of the business. Entrepreneurs are open for change and even welcome it as an opportunity that can be exploited and created through innovation (Drucker, 1985, p.25). "Usually, they do not bring about the change themselves. But – and this defines entrepreneurs and entrepreneurship – the entrepreneur always searches for change, responds to it, and exploits it as an opportunity." (ibid, p.25). When looking at character traits of entrepreneurs being proactive and their willingness to take risks seem to be the most important qualities (Burns, 2007, pp.33-9). Other character traits associated with entrepreneurs are opportunism, innovativeness, self-confident and being visionary. In addition they mostly follow an incremental approach to innovation and thus

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<sup>58</sup> Schumpeter (1947) calls this process innovation.

<sup>59</sup> Schumpeter (1947) links the study of creative response ("whenever the economy or an industry or some firms in an industry do something else, something that is outside of the range of existing practice" (p.150)) to the study of entrepreneurship as the "mechanisms of economic change in capitalist society pivot on entrepreneurial activity (p.150).

<sup>60</sup> Burns (2007) presents an overview of the critique on the character trait definition of entrepreneurs as well as a discussion of the different character traits associated with entrepreneurs (p.31-9). In addition Timmons and Spinelli (2007) summarize research being done on characteristics of entrepreneurs, concluding that there are three common traits that successful entrepreneurs have in common: "perseverance, a builder's mentality, and a strong propensity for taking calculated risks" (p.7). Overall what they do matters more than personality however, namely "(1) the ability to respond positively to challenges and learn from mistakes, (2) personal initiative, and (3) great perseverance and determination." (ibid, p.7).

tend to act first and then learn from the outcomes, whereby each act contributes towards a learning outcome.

The underlying idea of both perspectives is that entrepreneurs are driving innovation in order to create value throughout the life of an organisation (Bessant and Tidd, 2015, p.12). Hence the term refers to “a transformational process of social and market change” initiated by innovation to create value (Stokes and Wilson, 2010, p.32). At the core of the phenomenon are therefore the skills of an individual to spot opportunities and to create new ways to capitalize on them by taking risk, doing things differently and accumulating the necessary resources (Scarborough, 2012; Bessant and Tidd, 2015, p.15). This understanding of the term ‘entrepreneur’ goes back to the French economist, Jean-Baptist Say who argued around 1800 that “the entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.” (in Bolton, 1971, p.19).

Recent research has, moreover, started to look into the connection between entrepreneurship, the creation of new firms and economic growth (Burns, 2007, p.22-4). Those researchers see the reason for economic growth in the increase in competition, knowledge spillovers and an increased diversity due to new firms entering the market (ibid, p.24).<sup>61</sup> This means that two fields of entrepreneurship research can be distinguished: firstly research looking at who and with what effect opportunities are discovered (character traits and behavioural perspective) and secondly research focusing on how new organizations are created, which also includes transforming established organizations (Stokes and Wilson, 2017, p.33-57).

Furthermore the *Global Entrepreneurship Monitor* (GEM) looks for reasons why some countries are more entrepreneurial than others and assesses the extent to which entrepreneurial activity influences economic growth within individual economies.<sup>62</sup> The focus of the research lies on the entrepreneurial behaviour and attitudes of individuals on one side, and the national context and its impact on entrepreneurship on the other side. The findings of the GEM support other claims that entrepreneurship is affected by demography, education, economic infrastructure and culture (Burns, 2007). The presumption of the research is that economic growth results from individuals who discover and exploit business opportunities and that this process is dependent on environmental factors, which have an impact on how individuals see and exploit business opportunities (Rebernik et al., 2018). Thus the decision to set up a business depends on environmental

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<sup>61</sup> Knowledge spillover leads to the „transmission of knowledge from point of origin to other individuals or organisations“ (Burns, 2007, p.24).

<sup>62</sup> Through international data collection over the last 20 years the GEM publishes reports about the entrepreneurial phenomenon in order to promote the understanding of entrepreneurship as well as evidence-based policies supporting entrepreneurship around the world (Global Entrepreneurship Monitor, 2019).

factors such as cultural values, the attitude of the society towards entrepreneurship and the overall entrepreneurial environment.

To conclude, entrepreneurship can be defined as a process of change, consisting of the following three behavioural attributes:

the identification, evaluation and exploitation of an opportunity; the management of new or transformed organization so as to facilitate the production and consumption of new goods and services; the creation of value through the successful exploitation of a new idea (i.e. requiring both creativity and innovation). (Stokes and Wilson, 2010, p.33)

### III.5.3.3. Innovation and Entrepreneurship in SMEs

Not all SMEs exercise entrepreneurship but they all come into existence because of an owner-manager and additionally most SMEs only grow at the beginning and then focus on creating a stable business that generates a sufficient income to guarantee survival (Burns, 1996; Storey and Stykes, 1996). A reason for that is that SMEs lack resources and thus have a disadvantage when it comes to innovative capabilities.<sup>63</sup> Given the importance of innovation for the overall economy as well as the crucial role SMEs play for economic growth and job creation the European Commission prioritizes its support for SMEs in pursuit of innovation (European Commission, 2014b).<sup>64</sup> This includes measures for start-ups, entrepreneurship and access to finance for digital transformation as well as simplification of intellectual property, creation of standards and especially the formation of one single market.<sup>65</sup> This is a way of counterbalancing the lack of resources compared to large firms, which is an obstacle for creating innovative organizations.<sup>66</sup>

There are two opposing arguments for lack of innovation in firms that are related to firm size (Bolton, 1971, pp.48-54): one side argues that large firms have inflexible structures

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<sup>63</sup> This is why few small firms introduce fundamentally new products but innovate through differentiated products and services (Storey and Stykes, 1996). Their advantage is marketing due to a closer relationship to their customers as well as speed of response. So when talking about innovation different things are meant depending on the firm size.

<sup>64</sup> *Horizon 2020* is the biggest EU Research and Innovation programme to date with €80 billion of funding available over a 7-year period from 2014 to 2020 (European Commission, 2019d). The programme aims to improve Europe's global competitiveness through fostering growth and create jobs by investing in research and innovation. The aim is to fund science and to remove barriers to innovation and making it easier for the public and private sectors to work together in delivering innovation.

<sup>65</sup> The term 'Single Market' refers to the intra-EU trade and the initiatives of the EU to create one trade territory without borders and regulatory obstacles and provides easier access to the around 500 million consumers in Europe (European Commission, 2019c). In addition to that a 'Digital Single Market' is being established as well, with the aim to help especially SMEs to benefit from digital innovation by means of improving the connectivity and access through supporting the free flow of data. The initiative aims at creating a borderless internet environment and this is of interest for the creative industries as well as it will simplify the online distribution of content as well as licensing and copyright legislation for cross-border portability of content (European Commission, 2015a, 2015b, 2016, 2018b, 2018f).

<sup>66</sup> In order to improve the funding situation for start-ups as compared to the US the European Commission (2018g) set up a Pan-European Venture Capital Fund Programme to attract larger sums of private investment.

and thus the management hardly ever recognizes new ideas. Additionally those new ideas require intensive investment, making them unattractive for successful large firms as they are already heavily committed to existing products and customers. In cases where the large firm lacks serious competition there is, moreover, no incentive for the firm to invest in new ideas. On the other side small firms lack innovative capabilities because of their limited financial and managerial resources. There is evidence, however, that both types of firms do innovate, and especially small firms contribute towards the development of new products, but they cannot innovate in areas that require extensive financial and human resources (ibid).

Due to the accelerating pace of change studies have focused on small, entrepreneurial firms and their adaption processes as it can be expected that they adapt more quickly in this environment of market imbalances and changing circumstances due to their flexible business structure. This provides a more creative environment that nurtures innovation and consequently entrepreneurship (Burns, 2007; Stokes and Wilson, 2010). In addition new firms profit from uncertainty in business environments as technological developments can render long established business advantages useless, creating an even field of play. In times of uncertainty small entrepreneurial firms seem to be able to survive and prosper better as their success is based on spotting opportunities that arise out of change. Those firms thrive in dynamic environments where innovation leads to economic success as opposed to large companies who are less willing or able to take those risks. Therefore small entrepreneurial firms are the ones capitalising the most on the turbulent business environment. Scarborough sums up the reason why especially small entrepreneurial firms succeed in environments of disruptive change as follows:

today, with the pace of change constantly accelerating, fleet-footed, agile, small companies have the competitive advantage. [...] they move faster to exploit opportunities the market presents; and they use modern technology to create within a matter of weeks or months products and services that once took years and all of the resources a giant corporation could muster. The balance has tipped in favour of small entrepreneurial companies. (Scarborough, 2012, p.19)

Most small businesses, however, are not entrepreneurial as their business is mostly based on existing technologies and ideas. They take business risk but overall focus on what has been done before: increasing the consumption of existing products or services instead of seeking out change (Stokes and Wilson, 2010, p.35).

Moreover, as mentioned previously, the smaller the firm the larger is the influence of the personality of the manager or owner on the business strategy of the firm (Burns, 2007).



This can be problematic as those leading figures are often too closely involved in the day-to-day business to be open for change:

Owner-manager are invariably close to the day-to-day problems of their business as it grows – often too close to see opportunities or the need to change. Small business management can easily become a reactive process in which new ideas are pushed out by the need to cope with more pressing realities. In these circumstances, the owner-manager has to adapt and react, rather than direct and create. Such constant manoeuvring to fit the circumstances of the day has led to entrepreneurship being equated with a wheeler-dealer image in which creativity is used only for survival rather than progress. (Stokes and Wilson, 2010, p.35)

This means that the smaller the company, the more it is constrained to innovate and to commercialize these innovations due to limited financial resources to guarantee the firm's continued existence. Nonetheless it is not easy to successfully innovate and to earn money from innovations as small firms are constrained by limited resources. Largeness, however, is not a guarantor for survival in times of technology driven disruption either. Technological advancements pose a challenge for small and large established enterprises alike. As Bessant and Tidd (2015, p.6) note, though, it can be a challenge for established enterprises to survive and grow but at the same time it produces a huge opportunity for new entrants to rewrite the rules of an industry.

Overall organizations like the *OECD* (2017) recognise the importance of small and new businesses as driving forces for innovation, as they respond better to new and niche customer needs. The question remains, though, how firms foster innovation and how the characteristics of SMEs influence the innovative capabilities of a firm. SMEs are, however, not homogenous; they can be distinguished according to age, growth, location and market conditions as well as the characteristics of the individuals who manage the firms. All those factors influence the adaption processes, the innovative capabilities and how firms react to technological change as well as disruptions in the marketplace. Overall innovation is important if small firms want to grow and be successful (Burns, 2007).

#### III.5.4. Summary – Implications of Small Business and Entrepreneurship Theory for the Book Publishing Industry in Small Nations

Small publishing houses fall largely into the category of 'lifestyle firms' as described by Burns (1996, 2007). They are "set up primarily to undertake an activity that the owner-manager enjoys or gets some comfort from whilst also providing an adequate income" (Burns, 2007, p.16). The focus is therefore not growth but staying in business, which means that management becomes routine once a sufficient income level is reached. It

also means that strategic management does not play a big role until the business encounters problems. According to Burns (2007, p.16) this is most likely to happen when the market changes without the owner-manager noticing or understanding the change that is happening. Ultimately lifestyle firms are not managed by entrepreneurs as growth is not the focus of the publisher but rather establishing a stable business. Consequently, it can be expected that most small publishers will not engage much in digital innovation but focus on their traditional print centred business instead as it is less risky and financial returns are more predictable. The reason for that is the special role of the owner-manager in small businesses and hence why the attitudes of those individuals determine whether the business will prioritise innovation and seeing digital disruption as an opportunity and consequently how well the publisher will survive in this period of change. Because it is mostly the owner managing small publishing houses, meaning they invest their own money into the company, it helps to explain why those organizations are more flexible in terms of management structures as well as their approach to innovation and risk-taking (includes reluctance to seek out outside finance to stay independent).

*Figure III-5: Implication for Research 1 – Managerial Attitudes*

For this research, it means that the attitude and behaviour of the manager of small publishing houses is important to consider as a reason for lack of business model innovation or for the active engagement with innovation. Especially how those managers cope with risk and uncertainty and if they experiment and seek out new opportunities needs to be considered.

Due to small businesses' special financial situation, they focus on short-term activities that lead to quick returns, as they do not have sufficient resources to invest in expensive innovations and extensive R&D. In contrast digitisation combined with the spread of the internet has reduced the costs of innovation for publishers as well as created new ways to realize returns quickly, generating additional income, and transform their businesses especially when small publishers focus on a niche. This includes technical progress resulting in improvements of the production process like PoD, allowing for a more cost-efficient way of sourcing, producing and disseminating content, making publishing profitable in smaller, flexible units and thus widening consumer choices. Due to those cost efficiencies of technological advancements, small businesses can now cater for small market segments and reduce their fixed costs. As a result of limited resources, small

businesses rarely create really new products but clearly differentiated ones as well as marginally different products or services.

*Figure III-6: Implication for Research 2 – Areas of Innovation*

It can be expected that small publishers focus on low-costs areas like marketing and customer service as well as new routes to market (e.g. direct selling) or standard low-cost e-book production for selected titles while innovating. The question forming the basis for this research project is therefore whether publishers are aware that those options exist and why they are or are not choosing to experiment with certain aspects of e-publishing including the different consequences this has for their current business models (as described in III.4).

Another aspect that needs to be considered is that small publishers may have, according to the language sphere they are operating in, a very limited customer base. This has been increasingly challenging for publishers who do not publish in English because the proficiency of English in non-English speaking countries is on the rise especially among the younger generations, thus leading to an increase in the consumption of English content. This widens the competition for small language publishers, which ultimately results in more uncertain business prospects for small publishers. In addition especially small businesses struggle to diversify the business risk as there is a limit to the products they are able to create because of the lack of resources. An added problem is that publishers struggle to set the prices for their products and are restrained by fixed book price legislations in some European countries.

*Figure III-7: Implication for Research 3 – Resource Limitations and Market Size*

For this reason it can be expected that small publishers in small language countries like Slovenia struggle more to establish successful e-publishing practices compared to publishers who operate in a larger language market like small publishers in Scotland do. Thus this research investigates the impact of limited resources on e-publishing practices and innovative capabilities in both small and large language markets and how governments support small publishers as a way of counterbalancing those market limitations.

The theory on small business and entrepreneurship as well as research into incumbent inertia delivers some initial explanations as to why certain businesses are more likely to innovate and being successful in adapting their business practices to disruptive change. One side argues that large firms innovate more because they have the advantage of greater financial and technological resources (material advantage) whereas small firms have the advantage of being dynamic, flexible and hence more responsive to changing circumstances (behavioural advantages) (Rothwell, 1989).

*Figure III-8: Implication for Research 4 – Innovative Capabilities*

The advantages of small firms are the disadvantages of large firms and vice versa which means that it can be argued that small publishers should in theory be more innovative and entrepreneurial than large ones when a flexible structure is more important than financial resources. Following these deliberations this study looks at opportunities of digital technologies for small publishing houses to innovate and where they are constrained by their available resources.

Moreover, the nation itself plays a role in how active publishers are engaging with the digital revolution. There is no such thing as an entrepreneurial culture of a country but nations can help create an innovation friendly environment that encourages experimentation with business ideas (e.g. social, political, educational attributes).

*Figure III-9: Implication for Research 5 – Regulatory Framework*

In order to get a better understanding of how regulatory frameworks of states support or hinder publishers in engaging with digital publishing as well as encouraging overall entrepreneurship, this study looks at three different nations and their distinct regulations, financial support as well as the overall market conditions. That way a better understanding will be attained of which policies work for what reason and how cultural policies could be improved.

The publishing industry, furthermore, consists of many incumbents who have been in business for many years. According to the incumbent inertia theory and research in this field, it can be expected that the majority of small and established publishers do not feel the need to change their business practices and thus do not innovate as a response to the disruptive technological change. This puts incumbent publishers in danger of missing out on new opportunities and ultimately disappearing from the market because other media firms adapt quicker to the change or ‘outsiders’ enter the market with the aim to replace traditional publishing companies. At the same time those who do innovate and experiment with novel BMs are further challenged by having to operate two BMs at the same time, namely cater for old customers (print centric BM) while establishing a digital centric BM as well.

*Figure III-10: Implication for Research 6 – Incumbent Inertia*

Research into incumbent inertia needs to inform further research into digital disruption in the publishing industry as the implications for small publishing houses are not clear. Unexpected market developments outside the publishing industry (e.g. digital technologies, new devices) provoke change within publishing and encourage ‘outsiders’ to enter the market (e.g. *Amazon*) which has an impact on customer expectations and changes the industry structure as well as the power balance. At the same time disruptive change provides opportunities for small publishers as can be derived from Kammerlander (2013): small publishers have the advantage of being flexible enough in their business structures to adapt to change quickly.

In summary entrepreneurship and small business theory offer some ideas and explanations for what can be expected to be happening in the publishing industry. At the same time cross-cultural and business study focused research into book publishing especially in smaller markets as well as into small publishers is scarce. In addition, there are contradicting views on whether small firms are especially entrepreneurial and innovative and thus better able to adapt to disruptive change compared to large firms. Therefore, given those considerations, this research project investigates reasons for small publishing houses to innovate and engage with the digital revolution or why they choose not to. Of interest is which characteristics of the publishing houses as well as of the people leading the businesses have an impact on the innovative capabilities of publishing houses. In addition it is of importance to look at how different national contexts affect the adaption processes as well as the development of digital publishing strategies. Furthermore it is of interest whether digitisation lends itself helpful for small publishing houses and offers

new and cheap ways for them to compete with large international conglomerates and big publishing houses. There is up until today no comparative analysis that looks at how exactly the situation in smaller countries presents itself and that draws conclusions from a comparison against the background of different market dynamics and policy frameworks. For this reason, the next chapters describe the methodology and present the findings from the study that answer the above-mentioned questions.

## IV. Research Methodology

The previous chapters introduced the focus and theoretical framework of this study as well as highlighted shortcomings and gaps in current e-publishing and BM research in small nations in Europe. To get a better understanding of the actual market situation in different small nations in Europe from the publishers' perspective a qualitative case study approach was chosen to explore the opportunities, challenges and changes in the publishing industries due to digitisation and technological advancements. Moreover, to better understand how national contexts shape the response of publishing houses to digitisation, while also considering the time constraints of this research, the focus has been narrowed down to three nations in Europe (Austria, Scotland and Slovenia). This chapter now describes the methodological framework and methods used to answer the research questions introduced in I.6 as well as identifies and highlights the limitations of this study.

### IV.1. Researching the Publishing Industry in Europe – the Challenges

When looking at the state of e-publishing in Europe it is virtually impossible to gain a comprehensive overview of the size of digital publishing production and consumption as there are several discrepancies associated with quantifying the production and consumption in each country which makes drawing comparisons between book markets challenging. The problem arises from inconsistencies among European nations in what is included in market statistics beginning with the unit of sales. Should hardback, paperback, audio and e-book formats all be included, and should all publication genres be included?<sup>67</sup> For example some statistics include STM and educational products and others do not. In addition the sales channels pose a challenge too, as some online outlets like *Amazon* are reluctant to share sales data. Furthermore, the growing popularity of self-publishing activities mostly through *Amazon* has led to an increase in e-book sales without ISBNs, which in turn are not accounted for in market statistics.<sup>68</sup> The insufficient database in the varying nations means that the European e-publishing sector is an area rarely studied because of the difficulties involved in comparative research.

For this study these difficulties in gathering reliable data for a quantitative analysis of the state of e-publishing mean that contextualising the developments in each nation was challenging and comparisons between the three nations can only be drawn with caution.

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<sup>67</sup> *Nielsen Book* for example started tracking e-book sales data in the UK only in 2016 and only for e-books with ISBNs from top tier publishers (Nielsen Book, 2016).

<sup>68</sup> Self-published books are frequently published without an ISBN (mostly via *Amazon; Kindle Direct Publishing*) and are therefore not included in traditional book market figures. Initiatives that have developed approaches to measure the market share of self-published books are the *Author Earnings* reports for the English speaking markets (Author Earnings, 2016) and the *Self-Publisher-Bibel* reports for the German speaking markets (Matting, 2018).

Moreover, the nature of the research questions demands a deeper insight into the industry as well as a better understanding of the motivations behind the actions of publishers and this is better achieved with qualitative methods comprising expert interviews with key figures. Where possible, though, these findings were triangulated with statistical material along with aggregated data and evidence obtained from several sources, including policy documents and company reports.

## **IV.2. Theoretical Framework and Critical Perspectives**

This thesis comprises interdisciplinary research, combining business and publishing research and therefore contributing to the field of media management. Chapter III introduced the theoretical framework which in turn influences the analytical framework. Overall, BM choices and strategy are linked and influenced by policy frameworks. Furthermore recent research has shown that a company's ability to innovate its BM is affected by its strategic orientation (Spieth et al., 2016; Saebi et al., 2017) along with an entrepreneurial focus which in particular has a positive influence on the value creation and value proposition dimensions of a firm's BM (Mütterlein and Kunz, 2017). For this reason, this study investigates how book publishing houses address BMI in the digital age as well as how national contexts, strategies and entrepreneurial mind-sets shape the ability to innovate existing BMs. Currently comparative research taking the impact of different environments of media companies into account is scarce and therefore this study was motivated to look at three different markets in Europe.

Small nations were chosen as a focus of enquiry as it can be assumed that especially those limited market spaces are particularly affected by digitisation and the ability of the internet to let texts travel across borders. In addition, globalisation and the concentration in the book industry affect smaller nations and smaller publishing houses the most due to reduced economic power and hence they are in danger of being superseded by transnational conglomerates. Furthermore, in choosing small nations with different characteristics, like size of the linguistic area, the findings can demonstrate how this affects the way texts travel electronically and how this in turn influences publishing markets. This also helps to trace whether e-publishing is in fact contributing towards the homogenisation of publishing or if it instead supports diversity and easy access to niche titles and the strengthening of local language publishing and cultural production.

A wider implication that needs to be addressed are media convergence trends and the powerful position of transnational content distributors with their closed infrastructure of digital content dissemination. How do small publishing houses in small nations with their



double burden of smallness cope with those trends and powerful players in the market, how does it affect their options to earn money or is smallness actually an advantage?

Before these questions can be addressed the theoretical paradigms guiding this project need to be defined and considered as well as the position of the researcher within the research process. How the researcher sees the world and how to generate knowledge determine the choice of method. Therefore the following sections define the ontological and epistemological positions on which the research is based as well as explain why a qualitative approach was chosen as the best way of answering the research questions.

### **IV.3. An Overview of Qualitative Social Science**

#### **IV.3.1. Research Philosophy: The Theoretical Paradigms**

Science as an area of philosophy is concerned with the options and limitations of scientific knowledge generation (Doering and Bortz, 2016, p.34). Different prerequisites about the nature of the object under investigation and the human mind can be distinguished as well as characteristics of scientific methods and methodologies (ibid). Science is in its core not only about the generation of scientific findings but also about the reflection of the scientific process that creates knowledge (ibid, p.32).<sup>69</sup> Research theory takes the self-reflection process a step further by establishing the fundamentals of empirical-scientific procedure and by discussing the possibilities and limitations under which research is possible and how knowledge can be generated (ibid). Thus research theory is concerned with theoretical concepts of reality and truth which then help to justify the choice of method for doing research. It is furthermore normative as it suggests how research should be done to produce valid knowledge. This is important as research is interpretive and therefore guided by the beliefs and feelings of the researcher about the world and how it can be understood and studied (Denzin and Lincoln, 2003, p.33).

Ontology is concerned with the theory of being and what the individual believes to constitute social reality (Grix, 2010, p.59; Doering and Bortz, 2016, p.34). The ontological position guiding this research project is constructivism because the goal of social research following a constructivist framework is to explore meanings and interpretations that individuals attach to social phenomena rather than uncovering objective and generalizable universal truths (Robson, 2011).<sup>70</sup> This acknowledges the active role of participants and researchers in co-constructing meanings (Cresswell and Poth, 2018). The

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<sup>69</sup> This means to analyse the method, its limitations as well as presuppositions and their consequences.

<sup>70</sup> The other ontological position is realism, which refers to the belief that reality exists independently from the human consciousness.

meanings of phenomena are created through social interactions and thus they are in a constant state of revision (Bryman, 2016, p.29). A constructivist view is adopted here as this research is based upon the belief that the reality or truth can only be known through engagement with the subjects under investigation who live in this reality.<sup>71</sup> This means also that the results of this research will only be authoritative for that particular population, namely small publishing houses in these three small nations.

Furthermore epistemology is the theory of knowledge and focuses on the ways of gaining knowledge about the social reality, hence the knowledge gathering process (Doering and Bortz, 2016).<sup>72</sup> The definition of truth is the basis of the epistemological paradigm and with which methods it can be created.

Research about human beings done by human beings cannot yield objective results as the values and theoretical beliefs of the researcher cannot be fully removed. Instead of an objective perspective, this study takes an interpretivist look at publishing and focuses on the meanings of subjective experiences of individuals engaging in social interactions as well as the role of the researcher involved in co-creating knowledge about the phenomenon under investigation with the study participants. In addition the focus of interpretivism lies on understanding rather than explaining social reality. The subjective meaning of social actions is what this project is concerned with and hence people are the units under investigation instead of objects. In organisations the interpretative approach “seeks to understand organisations from the perspective of those working in them with a focus on how meaning is constructed out of events and phenomena, the influence this meaning has on the behaviour of the firm, and the outcomes of that behaviour.” (Küng, p.122). In distinguishing between the natural and social world this research focuses on the latter which needs to be studied from within it as it is a human creation (Weber, 1978, pp.65-8). Hence interpretivism is based on the epistemological position that is described as anti-foundationalism<sup>73</sup> and which subscribes to the view that the world is socially constructed through the interaction of individuals. In addition “social phenomena do not exist independently of our interpretation of them and it is these interpretations which affect outcomes. Thus researchers are inextricably part of the social reality

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<sup>71</sup> Social constructionism furthermore takes the social, economic and policy context into account in which the individual constructs its reality and thus the context in which the data is being generated. This means that the phenomena under investigation are specific to a particular time, place and culture (Barbour, pp.43-4). This is of importance for this thesis as three specific contexts are looked at which affect how publishers construct their realities.

<sup>72</sup> The knowledge gathering process encompasses the methods, their validity, the scope and the distinction between justified belief and opinion.

<sup>73</sup> This refers to the refusal to adopt any permanent foundational standards by which truth can be universally known. Truth is being generated through negotiation process between members of communities.

being researched, i.e. they are not ‘detached’ from the subject they are studying.” (Grix, 2010, p.84).

Hence a completely objective analysis of the collected data is not possible because the researcher is a sum of his or her opinions, attitudes and values. The researcher is a social actor him- or herself and with it come perceptions of the role or position in society. This means that the unique background of the researcher shapes the interpretations of what is found as this background influences how he or she makes sense of the meaning others have about the world (Creswell, 2018).<sup>74</sup> Thus researchers are always co-constructors of knowledge and this is why reflecting critically on the self as researcher is important (Denzin and Lincoln, 2011, p.124). This includes the interactions with respondents as well as the own identity of the researcher.

Lastly methodology refers to the “theory of the method” (Jamal and Hollinshead, 2001, p.67). In short it answers the question how the researcher can find out about what can be known and thus determines the method used to undertake research (Grix, 2010, p.169). The research method describes the procedures, which should be used to acquire knowledge as well as which data needs to be collected. For this research the particular practices and techniques of qualitative methods were chosen and will be explained subsequently.

In summary, the reason for adopting a constructivist/interpretivist position is because the researcher subscribes to the idea of reality as being socially constructed by social actors. Participants and the researcher are seen as active parties in the creation and interpretation of meaning and knowledge. The research aim is to reach a better understanding of the phenomenon under investigation and the social contexts of it by considering the multiplicity of viewpoints and perspectives of participants and their subjective interpretations. Furthermore, qualitative interviewing is considered the most suitable method to conduct an in-depth exploration of the phenomenon of digitisation in publishing from an insider perspective. This insider perspective is gained through interactions with actors who have an in-depth understanding of and extensive professional experience with the phenomenon under investigation.

#### IV.3.2. Research Paradigm: Qualitative Methods

The empirical social science distinguishes between the qualitative, quantitative and mixed-method paradigm. These paradigms stand for different ideas about how social

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<sup>74</sup> For this thesis it means to consider that the researcher has background knowledge of the publishing industry from working for a large publishing house in Germany.

science derives and justifies consolidated findings about social reality (Doering and Bortz, 2016). Qualitative social science is particularly applicable when looking at people in organisational settings and specifically their subjective impressions and interpretations (Rosenstiel, 2007). In doing so the research aims to understand social actions and to explain the reasons for as well as the impact of those actions (Gläser and Laudel, 2010). Hence, qualitative research methods exhibit an explorative character in contrast to quantitative research methods (Lamnek, 2010; Doering and Bortz, 2016) and therefore aim at understanding social realities as well as put an “emphasis on situations and often structural contexts” (Strauss, 1987, p.2). To investigate the impact of digitisation on publishing houses a qualitative approach was therefore deemed appropriate. Following these considerations the following paradigms of qualitative social science form the basis of the chosen method (Doering and Bortz, 2016): central to this research project is the reconstruction of real life phenomena, namely the process of engaging with digital disruption. Secondly the research process is characterized by theoretical openness. Moreover, the communication between the researcher and research subject is cooperative and lastly the subjectivity and perspectives of the researcher need to be considered when looking at the conclusions.

Hence, this research design adopts some elements of what Charmaz (2003) calls constructivist grounded theory. This approach combines the methodological tools of classic grounded theory (GT) while seeking an interpretive understanding of the phenomenon under investigation. Hence, a focus is put on subjectivity and the role of the researcher in co-constructing the data through interaction with the participant. Moreover, it follows an inductive logic: theoretical interpretations are constructed based on the concepts that emerge from the collected data (Robson, 2011) while “multiple voices, views and visions” (Charmaz, 2003, p.275) are included.

The previous chapters have demonstrated that there is a lack of comparative research in Europe looking at how smaller publishing houses are coping with digital disruptions and using a qualitative approach fosters a deeper understanding of the industry itself alongside the motivations behind the actions of individual publishers. Hence, with choosing a qualitative approach this research aims to understand the social reality of publishing today, whereby initially the environment is described, followed by a deduction of hypotheses and theories from the gathered data (Hermanns, 1992; Lamnek, 2010).

As data is collected and analysed simultaneously throughout the research process, a circular process accrues during which preconception and basic understanding are alternating while the preconception is successively refined (Lamnek, 2010). Goulding (2002) summarises this as follows:

The theory evolves during the research process itself and is a product of continuous interplay between analysis and data collection. It requires the recognition that enquiry is always context bound [...]. Knowledge is seen as actively constructed with meaning of existence only relevant to an experiential world. Therefore the focus is on how people behave within an individual and social context. Essentially, the methodology is most commonly used to generate theory where little is already known, or to provide a fresh slant on existing knowledge. (p.42)

The research process is completed when no new findings can be obtained through the collection and analysis of additional data, which is also referred to as data saturation (Silverman, 2014). As a result, the complexity of social problems and of the study object can be considered as well as the subjective meaning of the objective actuality for individuals since this subjective meaning is responsible for the actions of individuals and is therefore crucial for the understanding of the social reality (Flick, 2005; Lamnek, 2010).

Overall, the qualitative approach allows for a deeper understanding of publishing companies and the people who shape them through their decisions and actions in an area where little is known at the moment and as such the explorative nature of the qualitative approach seems most promising to learn about reasons behind actions. Especially the focus on the management of publishing houses lends itself for qualitative inquiry and thus theory generation grounded in qualitative data as Goulding (2002) emphasises:

management is about people: it is about communicating, leadership, relationships and culture. [...] Consequently, grounded theory is a methodology suited to interaction and, given this emphasis on behaviour, [...] in recent years has seen a shift away from its focus on positivism and measurement to an appreciation of experiences and meaning, with insights derived from qualitative approaches. (p.1)

However, where possible the qualitative data collected was triangulated with market statistics obtained from market research companies, company reports, trade magazines and works of other researchers.<sup>75</sup> This is important in order to provide context and setting as well as include a frame of reference for the participants of the research as triangulating qualitative data allows for multiple perspectives to be included (Marshall and Rossman, 2016, p.101).<sup>76</sup>

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<sup>75</sup> For market research into e-publishing *Wischenbart's* reports (Wischenbart et al., 2016; Wischenbart et al., 2017a) are one of the few sources available that compare publishing markets with each other. They therefore provided a first overview of the state of e-publishing in different countries in Europe as well as the challenges faced by publishers and the whole industry.

<sup>76</sup> The quality of research can be reviewed based on the classical quality criteria intersubjectivity, reliability and validity and manifests itself through comprehensibility of the research process (Flick, 2007b), consistent and reliable interpretation of the data as well as adaption of the method to the particular object of investigation (Lamnek, 2010). This was achieved mainly through documentation of the research process and triangulation.

In summary, this research project uses a well-rounded approach of data collection by incorporating multiple sources, namely a combination of qualitative and quantitative data whereby the quantitative data was used to support and contextualise findings from the qualitative fieldwork phase. As a result, the reliability of collected information could be checked as well as the credibility of sources and the validity of developed analytical frameworks. It has to be taken into account, however, that it was impossible to collect complete data sets because of the aforementioned unavailability of certain data in combination with the unwillingness of some study participants to share particular information. Therefore, rough estimates and percentages were included rather than exact figures.

#### **IV.4. Research Strategy: Case Study Research**

An inductive case study design was chosen to obtain an overview of the current situation of e-publishing in different nations as this research design is considered to be advantageous when little is known about the object under examination at the time of the study or during the early stages of research about a topic (Eisenhardt, 2006).<sup>77</sup> Case studies are used to explore real-life, bounded systems over time through detailed in-depth data collection (Cresswell, 2013). According to Stake (2003) a case study is “a choice of what is to be studied” (p.134) and can be anything, “a person, an organization, an event, a decision, an action, a location [...] or a nation-state” (Schwandt and Gates, 2017, p.341). Yin (2014), moreover, sees case studies as a methodology, “an empirical inquiry that investigates a contemporary phenomenon (the ‘case’) in depth and within its real-world context, especially when the boundaries between phenomenon and context may not be clearly evident.” (p.16) which is the case with the book publishing industry that is being influenced by environmental changes. Yin (1981) also argues that cases are well suited to analyse decision making processes and the utilisation of knowledge in complex multidimensional social contexts.

So this approach was chosen because it allows to focus on contexts and dynamic interactions within the wider context of publishing as well as to describe, explain or predict processes associated with the phenomenon (digitisation) at individual and organisational level (Gangong, 2010). Another advantage is the flexibility of the case study design as a variety of methods can be incorporated. As Marshall and Rossman (2016) state, it is possible “to incorporate multiple perspectives, data collection tools, and interpretive

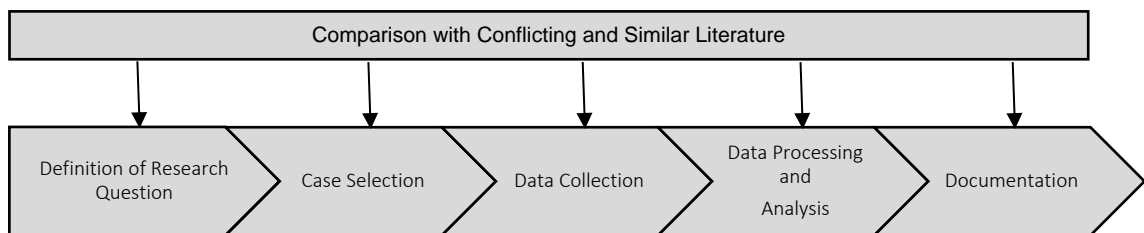
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<sup>77</sup> There are three ways of scientific reasoning that link theory to the empirical reality: induction, deduction and abduction. For this project induction was chosen because the reasoning goes from the specific to the general (Doering and Bortz, 2016).

strategies” (p.19) all aiming for a contextualised deeper understanding of the reality by exploring interactions between case and context.

Overall, qualitative case study research appoints typical and particular problems in the practice by examining individually selected cases. This is especially true for instrumental case studies which examine particular cases to provide insights into an issue (here the effect of digitisation) (Stake, 2003, p.137). The results gained by this can then be used to formulate first hypotheses, which in a next step can be tested.

*Figure IV-1: Process of Building Theory from Case Study Research*



Source: based on Eisenhardt (2006, p.219)

This research project mainly follows the stages proposed by Eisenhardt (2006, see Figure IV-1) in order to formulate first hypotheses about e-publishing BMs for SMEs and the adequacy of current policy frameworks: definition of research questions (I.6), selecting the object of investigation (IV.4.1.1), data collection (IV.4.1.2), data processing and analysis (IV.4.2 & IV.4.3). During the subsequent documentation first hypotheses and assumptions are being developed while existing research results are being consulted for comparison, whereby conflicting and complementary literature is being used to include critical views on the questions under investigation. These results then provide detailed insights into the chosen markets and therefore enable the researcher to propose models for success: effective strategies on both the micro level (individual publisher) and the meso level (nation’s publishing industry). Ultimately, assumptions are being derived from the case studies to explain which prerequisites cause publishers to adapt their BMs, how they adapt their BMs and why.

#### IV.4.1. Research Design: Multiple-Case-Design

To answer the research questions a multiple-case design was chosen to make the pred-ications more significant (Yin, 2014) and generalisable (Glaser and Strauss, 1967; Mayring, 2008) since the single-case analysis has been criticised for only studying coin-cidental material, which means that the results cannot be generalised (ibid). Besides,

through differences between the cases, correlations amid different characteristic values can be found (Gläser and Laudel, 2010) and comparisons are a vital part of the development of inductive generalisations as well as being central to procedures in GT (Brewer, 2003). Empirical generalisation can be made by comparative research as the same process is studied in different fields and leads to a better understanding of local specificity or generalities, which is of importance in book publishing because of the differences in book culture, history, political and economic conditions (ibid). Deductive comparative studies hereby tend to seek patterns of convergence between nation states to support validity of general theory which is applied to help to understand and explain the social process under investigation. Inductive comparative studies, however, tend to focus on patterns of variance to support the argument that social life is historically specific and culturally bound. Looking for contrasting cases and using the same method of investigation implies that social phenomena can be better understood when compared in relation to other contrasting cases or situations (Bryman, 2012). Therefore, multiple case study designs are suitable for research projects that are interested in investigating various instances of a phenomenon and as a “means to construct practical knowledge that is responsive to its environment.” (Marshall and Rossman, 2016, p.20). Hence in Chapter V the three cases are being analysed individually while focusing on differences and similarities in the responses of publishers to digital disruption. The chapter then concludes with a cross-case analysis by comparing the development of e-publishing in those different nations (V.4.).

#### IV.4.1.1. Case Selection

Three nations have been selected for a comparative study and each case consists of around 13 embedded units of analysis (Yin, 2014), the publishing houses and industry experts that provided information about the topics under investigation. These cases were chosen to appreciate that research findings are often culturally specific and therefore this approach helps to build theory that has broader implications. As Hantrais (1995) concludes

a study is held to be cross-national and comparative, when individuals [...] set out to examine particular issues or phenomena in two or more countries with the express intention of comparing their manifestations in different socio-cultural settings [...], using the same research instruments [...] to conduct new empirical work. The aim may be to seek explanations for similarities and differences, to generalise from them or to gain a greater awareness and a deeper understanding of social reality in different national contexts.



Austria, Scotland and Slovenia were selected since these three nations allow looking at different market characteristics and drawing conclusions from the impact of the publishing environment like different book cultures and policy frameworks on the development of e-publishing practices. Selecting the cases according to certain market differences and therefore because they illustrate some features that are of interest can be defined as purposive sampling (Silverman, 2014). By selecting cases to illustrate the issue that is being studied the research is focused on investigating a particular phenomenon from different dimensions. In this case it meant interviewing a wide variety of publishing professionals. Moreover, another reason for choosing these three nations was that the phenomenon has not been studied in these nations before. All three nations are also unique cases: Austria and Scotland both have in theory access to a wider readership outside their national markets and with Slovenia the smallest language market in Europe was chosen, which comes with specific market characteristics such as an absence of international corporations such as *Amazon*. Thus a sample with reasonable variation in contexts was chosen (Marshall and Rossman, 2016). In addition, within the countries a variety of publishing houses were the units of inquiry, mostly distinguishable according to their focus of publishing, digital offerings and company age.

However, case studies are often critiqued for the lack of rigour when selecting cases because it does not follow a proper sampling process but is rather an informed choice. This means though that case studies “are generalizable to theoretical propositions and not to populations [...]. In this sense, the case study [...] does not represent a ‘sample’, and in doing case study research, [the] goal will be to expand and generalize theories (analytical generalization) and not to extrapolate probabilities (statistical generalization).” (Yin, 2014, p.21). The aim of selecting these cases is to deduct hypotheses that are applicable to a variety of small nations. Therefore, it was necessary to select three diverging cases but as it was not possible to include all market characteristics in Europe the findings are only generalisable with caution.

Firstly two nations were chosen that also belong to a larger market due to the dominant language spoken in those nations, which is German in Austria and English in Scotland. It can be expected that access to a wider market is beneficial for those publishers as national borders fall away online, giving them access to a larger potential readership. In addition, both nations also struggle with the strong competition from the big publishing centres in their larger neighbouring nations (London, Berlin and Munich). These are also the places where start-ups and other innovative ideas mostly originate. However, there are some differences between those two nations: Austria for example and contrary to Scotland has a fixed book price and therefore the dominance of *Amazon* is not as strong as in the UK. On the other hand, Slovenia was chosen as a small nation with only a small

language market and because of that, publishing operates mostly outside the globalised digital content distribution ecosystem. In addition Slovenia has a different book culture as well with a strong book lending tradition.

Secondly the units of analysis within those nations were chosen. As previously indicated, the focus was on trade publishing houses (fiction, non-fiction and children's books) with educational and academic publishers being used as reference points in some cases as they are already in a different, more advanced phase of the digital adaption process and due to their size mostly don't fit the SME focus of this study. Additionally, some publishers who participated in this study have mixed lists, sometimes even STM or educational lists mixed with trade publishing. Moreover, this provided the opportunity to investigate whether there are similarities when it comes to BMI or whether the focus of publishing either trade, scientific, or educational publishing, leads to different adaptation processes and therefore different BMI approaches.

As a result, a list of the majority of publishing houses in Austria, Scotland and Slovenia was created, which formed the basis for the data collection phase together with two market experts.<sup>78</sup> In a next step a decision was made about whom to contact. The criterion for the selection was experience with digital publishing: who could provide useful information about this topic? This is called non-probability sampling as the participants were selected based on their fit with the purpose of this study (Daniel, 2011). Only knowledgeable publishers were contacted that could offer a variety of perspectives in order to enhance the credibility of the findings as the reality is complex and therefore requires the gathering of contradictory and overlapping perceptions as well as nuanced understandings that different individuals hold (Rubin and Rubin, 2005). Overall, the data set for this thesis was gathered during approximately 60-minute interviews with directors and those responsible for digital strategies in publishing houses. Within the scope of the study around 13 publishing houses per country were examined regarding their response to digital disruption.

The research sample of each nation was created with the help of information that can be found on the websites of the three publishers' associations.<sup>79</sup> During a first phase in September and October 2016 the 17 and 13 most important publishers in Slovenia and Austria were contacted by post and e-mail (Appendix 2) followed by 25 publishers in

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<sup>78</sup> For Austria Rüdiger Wischenbart and for Slovenia Miha Kovač provided insights in addition to background information about e-publishing in Europe in general.

<sup>79</sup> The publishing associations of Austria, Scotland and Slovenia publish lists of member publishing houses on their websites together with a short overview of the respective companies (Slovenian Book Agency, 2009; Literaturhaus Wien, 2016; Publishing Scotland, 2016).

Scotland in March 2017. The selection was based on the digital offering of those publishers as displayed on the company websites. Because BM adaptation takes time only companies that have been through parts of a transformation process were selected due to their unique insights. During this first phase between five and seven publishers in each nation were enlisted for the study. To enhance the informative value of this research more publishers with slightly less comprehensive digital offerings were contacted and interviewed in a second phase.<sup>80</sup> This allowed feeding insights from the first round of interviews back to the market and giving other participants the option to comment on those first findings. It was in addition a way to get a deeper understanding of new concepts and ideas that arose during the first round of interviews that led to a better grounding of first assumptions in data, making the results more applicable to real life issues. The second round of interviews were conducted during another round of research trips to Austria and Slovenia in the autumn of 2017 as well as during the *Frankfurt Book Fair* that year. An overview of the units of analysis of the three case studies can be found in the appendix (Appendix 4). Some of the interviewees requested confidentiality and to remain anonymous, therefore all names have been replaced to guarantee the anonymity by not giving away information about other publishers so that inferring from the identity of those publishers to the others is not possible. Industry experts, however, were willing to be named.

#### IV.4.1.2. Data Collection: In-Depth Expert Interviews

For data collection expert interviews have been conducted as they allow for direct access to the professional knowledge of practitioners and industry experts.<sup>81</sup> Hence they allow to collect insightful data in a limited amount of time (Bogner et al., 2009). The interviews followed a loose list of questions to guarantee that different themes were addressed during the conversations which might not have been addressed in unstructured or narrative interviews (Gläser and Laudel, 2010). In addition, it was important for the explorative nature of this research project to be able to ask follow-up questions. Moreover, throughout the interview the interviewees were able to influence the conversation (Mayring, 2008) which was desirable in order to provide an environment that allowed new sources of knowledge to emerge which resulted in revised and amended original views.

For triangulation of the information obtained from the interviews public secondary data like websites of publishing houses, reports in daily and trade presses, publications of publishers' associations as well as company and market research reports were used

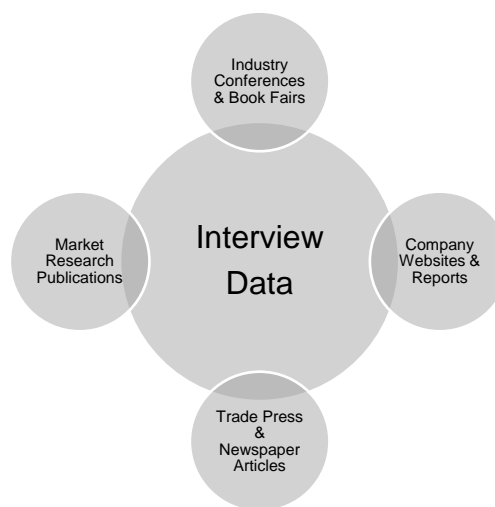
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<sup>80</sup> 46 Slovenian publishers were contacted in November 2017 and 60 Austrian publishers in September that year.

<sup>81</sup> Bogner et al. (2009) distinguish between technological, process and interpretative knowledge.

(Figure IV-2).<sup>82</sup> In addition, the book fairs in Austria, Slovenia and the UK as well as the *Frankfurt Book Fair* together with industry conferences provided an additional overview of the different publishing markets as well as showed which problems and issues are currently being discussed.<sup>83</sup> The *Frankfurt Book Fair* in particular provides a worldwide overview of trends in the industry, especially through the various service providers present who display the latest technological advancements and how the publishing industry might profit from them. Appendix 5 presents additional information collected and used for analysis.

Figure IV-2: Triangulation Process



Interviews have the disadvantage that dynamics between the researcher and the interviewees cannot be avoided and especially when interviewing experts power asymmetries exist as they are in powerful positions and used to being asked about their opinions (Brinkmann and Kvale, 2015). To legitimize taking up time of those experts as well as discussing the research topics in depth the interviewer needs to be well prepared which resulted in extensive research into the companies and market structures prior to the interviews. Being knowledgeable when interviewing experts helps to gain the respect of the participants and thus creates trust which results in experts sharing their insights more willingly (ibid, p.171-2). Furthermore the work experience of the interviewer helped to gain trust of the experts and enabled the interviewer to speak the technical language of the respondents and allowed to ask more detailed and precise follow-up questions. It needs to be considered that interviewees are affected by the demand characteristics of

<sup>82</sup> Triangulation refers to taking different perspectives by the means of divers types of data in order to answer the research questions (Flick, 2005). It allows to clarify meaning by “identifying different ways the phenomenon is being seen” (Stake, 2003, p.148).

<sup>83</sup> The researcher attended the *Digital Book World* in 2017, the *Publishing Scotland and Booksellers Association Book Trade Conference* in 2016 and 2017 and the *Publishers’ Forum Berlin* in 2017.

the interview setting as well as recall biases. Moreover, preconceived ideas of the research outcome influence the neutrality of the researcher (e.g. leading questions). The nature of the semi-structured interviews also compromises the comparability because of different wording when questions were asked. Overall, this form of research is subjective in nature and generalisations are problematic. Nevertheless, ideas can be followed, expanded and checked which was more important for this explorative study than a strict comparability of the cases. It therefore helps to reconstruct events and experiences. Each conversation is unique and a tool to investigate more complex questions. The great advantage over quantitative research is that it does not reduce the complexity by stripping away the context which makes this research realistic (Rubin and Rubin, 2005). It rather emphasises the contextuality and heterogeneity of social knowledge (Brinkmann and Kvale, 2015). Ormston et al. (2014) sum this up like this: "We recognise the critical importance of participants' own interpretations of the issues researched and believe that their varying vantage point will yield different types of understanding." (p.21).

As a mode of research face-to-face interviews were preferred to limit sources of error that might occur during phone interviews and to allow for a more in-depth conversation about personal experiences and views compared to email interviews. In addition, face-to-face interviews create a more comfortable relationship of trust which is important for a project relying on the good will of individuals with busy schedules. Phone and email interviews were only conducted in a few instances when the availability of the interviewees did not allow for a face-to-face interview.

The interviews in Austria and Slovenia were conducted mostly during their annual book fairs because of the easier access to publishing professionals in one place.<sup>84</sup> On the other hand the setting of the book fairs was not ideal as participants were often restricted by tight time schedules which limited the possibility to ask follow-up questions. Moreover, book fairs are usually loud and full of people which in some cases was not optimal for discussing sensitive information. Thus, the interviews in Scotland were mostly conducted in the offices of the publishing houses providing additional insight into the workplace and giving an idea of the size of the publishing houses. The purpose of those interviews was to find out what happened in those publishing houses because of digitisation, why it happened, and what it means more broadly (Rubin and Rubin, 2005, p.6). Rubin and Rubin

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<sup>84</sup> It must be considered that interviews in Slovenia were conducted in English which was not a problem as all interviewees spoke English well enough. Nonetheless it can be assumed that some information was lost in translation or not even articulated in the first place due to lack of vocabulary. This might have been a problem when contacting publishers as well as some might have excluded themselves from the sample because of lack of confidence in their capability to answer questions in English. Moreover in order to get a deeper understanding of the cultures of the nations under investigation the interviewer spend a good amount of time in each nation to get a feeling for the different cultural norms (e.g. habits and practices) which was helpful for the interviewing process.

(2005) therefore conclude that “[i]nterviewing is about obtaining interviewees’ interpretation of their experience and their understanding of the world in which they live and work” (p.36) whereby concrete examples help to ground the answers “in the experiences of the interviewees in ways that provide nuance and precision, context, and evidence all at the same time” (p.37).

#### IV.4.1.3. Conceptual Design of the Questionnaire

The interviews were conducted following a semi-structured questionnaire (Appendix 3), which means that the questions followed a predetermined framework but with a natural flow of conversation.<sup>85</sup> The questionnaire was used to guide through the conversation and made sure that all important aspects were addressed. This provided otherwise unobtainable views with the advantage that the interviewees could add new pieces of information because the researcher could follow leads that emerged during the conversation. Overall, the research problem should shape the method used and therefore a flexible approach was most suitable to address questions that might occur during research as well as insights that were not anticipated. It is an “in-depth exploration of a particular topic or experience [...] and is a useful method for interpretive inquiry.” (Charmaz, 2014, p.25) because the interviewee has the relevant experience to shed light on the topics under investigation and the questionnaire provides the tool to encourage the experts to describe and reflect upon their experiences.

The questionnaire was structured thematically according to the BM dimensions to help analyse the response to digitisation and included also more general questions about strategies and innovation. It consists of pre-formulated questions and served as a guideline for the discussion to gain access to the specific knowledge of the experts. It translates the research questions into interview questions to make sure that the interviewees provide information to all the relevant circumstances (Gläser and Laudel, 2010). Thus, the following, the interview structuring thematic blocks were derived from the literature: (1) general questions about the publishing house and the publishing output, (2) questions about digitisation and innovation on an industry level, (3) questions about the strategy of the firm and changes thereof, (4) questions about the various BM components and the innovation of those components and (5) questions about policy frameworks and the affects they have on individual publishing houses.<sup>86</sup>

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<sup>85</sup> For the design of the questionnaire and how best to conduct interviews the book by Brinkmann and Kvale (2015) has been consulted.

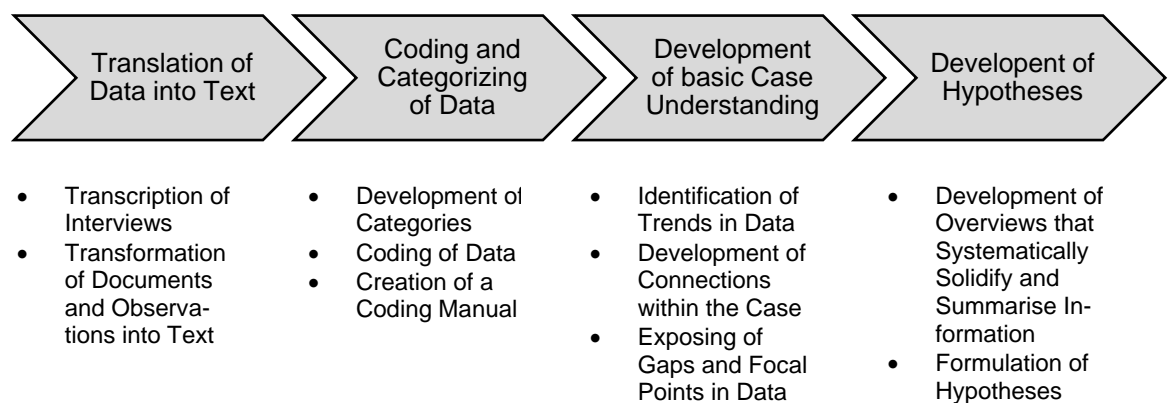
<sup>86</sup> The term ‘business model’ was not used during the interviews as there is not a common understanding of the term. With eliminating the term and asking concrete questions about the components of the business model instead it was ensured that all interviewees had the same understanding of the concepts under investigation.

Using only a guideline for the interviews enabled the interviewer to ask the questions in any order and in any form allowing for a more natural form of inquiry. In addition, most questions were formulated in a way to encourage the interviewees to speak freely in order to allow to collect as much information from the wealth of their experience (Gläser and Laudel, 2010). At the end of the interview the experts got the opportunity to add aspects which they thought to be important that were not covered or not covered enough during the interview. Furthermore, the questionnaire was adjusted and improved throughout the research process. Before every interview information about the publishing house and its digital products was collected to adapt the questionnaire to the specific situation of each company.

Moreover, prior to the first interview the questionnaire was tested during a pre-study with interviewees from two German publishing houses to make sure the interviews would not be too long, and all questions are understandable and would be suitable to collect the desired information. In addition, choosing Germany for testing the questionnaire did not limit the number of prospective interview candidates.

#### IV.4.2. Documentation and Processing of the Conversations

*Figure IV-3: Process of Case-by-Case Data Processing and Analysis*



Source: based on Miles and Huberman (1994, p.92); Miles et al. (2014)

All the participants permitted the conversations to be recorded, which allowed for accurate transcription of the entire interviews. In addition, after each interview notes were taken about first impressions and emerging themes and thoughts. The interviews were transcribed verbatim and fully apart from parts that deviated too much from the topic. Expletives were not transcribed as well as some colloquial expressions as the content of the answers are central to the research and not so much how things were said. In a next step the interview transcripts were anonymised as confidentiality was promised to some

publishers when concerns about the sensitive nature of some information came up. Lastly, the transcripts were sent back to the participants for verification and to make sure only information was incorporated in the study that the interviewees felt comfortable sharing. In addition, it allowed the researcher to ask follow-up questions about concepts that emerged during the conversation as well as during other interviews.

Subsequently the interviews were analysed with the software *NVivo* following the guidelines for a qualitative data analysis.<sup>87</sup> Therefore, a coding manual was created which defines the categories under investigation and the different values of those categories (Saldaña, 2016). Definitions derived from the literature were added to the different values (concept driven coding) (Brinkmann and Kvale, 2015, p.227). After initially coding a few interviews new codes emerged from the data and were subsequently added to the coding manual and thus supported the development of hypotheses grounded in the material and the discovery of new ideas and concepts. After initially coding the material a second cycle of coding (focused and theoretical coding) was used to group codes together into categories, themes and concepts allowing to look for emerging theories (ibid). A list with all categories and values can be found in the Appendix 6. The software made it easier to compare the material across countries, filter themes quickly, make connections visible as well as interpret and thus build theory.

The qualitative data analysis is mainly a way to reduce data by synthesising it and then looking for themes, concepts and emerging patterns in the material. Rubin and Rubin (2005) describe the different stages involved in the process: first comes the recognition of the concepts and themes in the data and then the text is labelled where those concepts and themes can be found.<sup>88</sup> Lastly, the data is sorted by grouping all data units with the same label from all interviews together to prepare the material for interpretation. This is an analytical procedure for data reduction and interpretation by using two sorts of codes: theory-generated codes derived from the literature review and in vivo codes that emerge from data. This process is called grounded theorising by Strauss and Corbin (1998), who define the process of generating theory from interview data as follows:

[a]t the heart of theorizing lies the interplay of making inductions (deriving concepts, their properties, and dimensions from data) and deductions (hypothesizing about the relationship between concepts, the relationships also are derived from data, but data that have been abstracted by the analyst from the raw data). (p.22)

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<sup>87</sup> *NVivo* is a computer-assisted qualitative data analysis software that simplifies the manual work involved in coding and at the same time lets the researcher still interpret the data (Bryman, 2012). Through organising, storing and managing the data the program enables researchers to reflect analytically on the findings (Saldaña, 2013).

<sup>88</sup> "A concept is a word or term that represents an idea important to your research problem; themes are summary statements and explanations of what is going on" (Rubin and Rubin, 2005, p.207).



Overall, provisional hypotheses are developed consecutively during the coding process and then revised while looking at more material, firstly interview material from the same nation and later material from the other cases. In a last step the findings were then triangulated with other material.

#### IV.4.3. Empirical Results and Analysis of the Cases

As a method for analysing the interviews the qualitative content analysis as described by Mayring (2008) and by Gläser and Laudel (2010) was chosen. First a within case analysis was performed in each nation, examining the individual publishing houses and the publishing markets. This was followed by a cross-case analysis initially between publishing houses in each nation and subsequently the nations were compared with each other (Eisenhardt, 2006).

In general, inductive analysis on the one hand looks for patterns, themes and categories in the data which means that the findings emerge out of the empirical material. In contrast, deductive analysis looks for patterns according to an existing framework (Patton, 2015). This research uses both approaches as some categories were derived from BM research and other categories emerged from the data itself. Mostly actions were coded to study how those actions are contributing to fundamental processes occurring in the research site. The codes were therefore “systematic, yet flexible guidelines for collecting and analysing qualitative data to construct theories ‘grounded’ in the data themselves.” (Charmaz, 2006, p.2). In the end, the hypotheses explain the studied process “and often demonstrate the causes and conditions under which the process emerges and varies and delineates its consequences.” (ibid, p.8).

#### IV.4.4. Comparative Analysis of the Case Studies

After the single case descriptions and analysis of small and larger language markets (V.1.1 and V.2) a cross-case analysis is performed to deduct a framework for BMI due to digitisation in small countries (V.4). Again, as stated by Glaser and Strauss (1967) in their work about GT, the analysis aims to develop theories from research grounded in data rather than deducing testable hypotheses from existing theory.

Overall, comparisons are a vital part of the development of inductive generalisations and are central to producing GT. The advantage is that empirical generalisation can be made by comparative research as the same process is studied in different fields to better understand local specificity or generality and with the aim to theorize towards a conceptual framework (Brewer, 2003). With a case-oriented comparison this study wants to seek

patterns of convergence between nation states to support validity of general theory that is applied to explain the social processes under investigation. At the same time the interpretation focuses on patterns of variance to support the contention that social life is historically specific and culturally bound as seen for example in the manifestation of different book cultures in Europe.

#### **IV.5. Grounded Theory for Policy Research**

To analyse the impact of policies and regulations on the development of a successful e-publishing sector in these small nations, laws and discussions surrounding digital publishing were examined on an international, European and national level. Therefore, GT was chosen as the most promising approach to gain an understanding of the influence rules, regulations and different forms of public support have on individuals and in turn on the publishing industry (Richards and Farrokhnia, 2016) . Traditionally, however, GT was largely used to analyse empirical data concerned with policy positions and strategy, which refers to conversational types of data sets as seen previously (e.g. interview transcripts) (ibid). In order to make the approach more suitable for policy research Richards and Farrokhnia (2016) developed a knowledge-building approach that combines the structured “open-ended” emergent approach of GT with policy building that solves complex problems which means including also the formal analysis of policy documents and positions from trade magazines and newspaper articles as well as the needs of stakeholders.

This approach is the result of GT being criticized for its vagueness and inadequacy to generate effective and sufficient data. Especially external and internal factors influence the assumptions and interpretations of the researcher, limiting the neutrality of the research outcomes (Charmaz, 2006). This dilemma is summarized as follows: “qualitative research coding and theorizing are linked interpretive processes always framed by [...] the preconceptions of researchers and their particular knowledge communities.” (Richards and Farrokhnia, 2016, p.3). Therefore, a process of ‘induction’ and ‘deduction’ aims to improve the shortcoming.

Hence the GT process developed by Richards and Farrokhnia (2016) is a descriptive approach to accumulate data and relevant information, which translate data into interpretations. Coding, interpretation, and description prepare for an interplay of key words and key concepts. Applying this to policy research means an “interpretive writing” analysis is generally needed to go beyond a merely descriptive reading of key words and also key concepts” (p.6). In summary, this approach is about linking central and supporting research questions to a process of data building, which includes relevant background

information and descriptive knowledge. Moreover, the coding structure is constantly refined while establishing an adapted set of data-gathering questions. Overall, the analysis aims to “understand complex behaviors, needs, systems and cultures” (Richie and Spencer, 2002, p.2) and frames the research process as needing policy refinement to achieve solutions that are more effective and improve outcomes in particular contexts. This policy research is therefore an outcome-based approach with a focus on problem-solving and sustainable policy building. This means that the research includes a “needs analysis” of local stakeholders as well (Richards and Farrokhnia, 2016, p.12). For this research project this means to aim for recommendations to improve policies to become more relevant and inclusive of diverse and small publishers. This is achieved by looking at the material from the expert interviews as well as analysing policy documents on their implications for publishers as well as concerns and views expressed in the trade press.

#### **IV.6. Limitations**

The biggest limitations of this research were time constraints. Conducting more interviews would have improved the saturation of this project which calls for interviewing until the information gained from those conversation become repetitive. Another weakness of the research comes with interviewing experts. The research depends on their willingness to participate and experts are usually busy because of their role in the company and additionally getting them to share sensitive information is not always possible. With more time the data base could have been improved by reaching out to important publishers again with requests to participate in the study. As of now, however, it was not possible to include all promising publishing houses in the analysis which in turn limits the generalisability of this study. Moreover, including a second small language market as a reference point for the Slovenian case would have improved the generalizability and validity of this study even further. Again, this was not possible due to time constraints. Lastly, one theme that emerged from the data and that was not possible to investigate further was the importance of audio books as a growing market.

Overall however, this research follows the criteria of soundness: reliability, validity, objectivity and generalisability.<sup>89</sup> The purpose of this study was not to select cases that can be used to represent certain categories which means that it is, however, not fully generalizable (Bryman, 2012). However, generalisation was not the main aim of this study. Instead a focus was placed on generating context dependent knowledge which can be used as reference point for further investigation of the same phenomenon in different

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<sup>89</sup> Reliability refers to the stability of findings and validity to the truthfulness of findings as well as continuous adaption of the methodology. Intersubjective traceability refers to objectivity and generalisability of the research process (Flick, 2007a; Silverman, 2014).

contexts. Furthermore the social world is constantly changing which means that replications are problematic (Marshall and Rossman, 2016). Texts, however, are unfiltered data and therefore more reliable than other forms of research and problems arise only through the categories used to analyse the text. Therefore, they were used in a standardised and structured way to help make the coding process replicable for other researchers. This was enhanced through the pre-test of the questionnaire and through recording and truthfully transcribing the conversations (Silverman, 2014). Documentation of the research process improves the intersubjective traceability. Validity was, moreover, improved through data and theory triangulation and through respondent validation by sending the transcripts back to the interviewees so that they could verify the findings (Flick, 2005; Mayring, 2008). This all reduced the impact of the researcher on the setting (Silverman, 2014).

## V. Research Findings

This chapter presents and analyses the research findings. First, the two large language markets are analysed (Austria, Scotland), followed by the small language market (Slovenia). The chapter then concludes with a comparative analysis of all three nations. Furthermore, the description and analysis of each nation follows the same structure: first an overview of the publishing industry is presented (including the state of e-publishing), followed by a closer look into BMI as a response to digitisation and an analysis of policy frameworks and government funding for the industry. Lastly, each section concludes with a summary of the e-publishing practices in the respective nation.

### V.1. E-Publishing in Large Language Markets in Europe: The Cases of Austria and Scotland

#### V.1.1. The Publishing Industry in Austria

After being the centre of power in Europe during the Austro-Hungarian Empire, Austria was reduced to a small nation after WW I and, following defeat in WW II, became a fully independent state only in 1955 (Central Intelligence Agency, 2018). Austria became a member of the EU in 1995 and joined the EU Economic and Monetary Union in 1999, thus displaying an outward focus in politics. Even though Austria has a population of only 8.7 Mil. the majority of its inhabitants speak German as a first language and therefore the country belongs to the largest linguistic area in Europe (European Commission, 2012, p.5).<sup>90</sup>

As in other small nations literature in Austria is considered to play an important role in strengthening a feeling of national belonging and distinguishing Austrian culture from its neighbours. Publishing industry expert *Rüdiger Wischenbart* sees this as the reason for the extensive funding of Austrian literature through the government:

Austrian fiction, this special kind of fiction, has been supported since the 70s as a result of the focus on identity and nation politics. It was especially used to support the constitution of an Austrian national identity in delimitation to the West German one. This was a post-Nazi topic and that idea still resonates in the amount of funding available today. (personal interview)<sup>91</sup>

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<sup>90</sup> For 16% of Europeans German is the mother tongue followed by English (13%) and French (12%).

<sup>91</sup> All interviews in Austria were conducted in German, hence all quotes from those interviews have been translated by this researcher. A full list of all study participants of all three nations and information on the mode and date of the interviews can be found in Appendix 4.

#### V.1.1.1. Market Overview

Collecting and collating figures about the size of the Austrian book market and especially digital publishing presents various challenges. The *Hauptverband des österreichischen Buchhandels* (HVB)<sup>92</sup> does not publish many figures and the bestseller lists still do not include e-books. The only form of digital products mentioned are audiobooks with a current market share of 2% but this figure only accounts for physical copies (CDs) (Hauptverband des österreichischen Buchhandels, 2019).<sup>93</sup> Thus this thesis had to rely on other sources such as expert interviews and reports published for the wider German speaking market.<sup>94</sup>

In general the publishing industry accounted for around 4.000 businesses in 2014 while employing over 22.000 people (incl. freelancers) and generating a total turnover of 3.846 Mil. Euros (Kreativwirtschaft Austria, 2017, p.59).<sup>95</sup> Furthermore the total market value at consumer price in 2014 amounted to 735 Mil. Euros (incl. magazines, newspapers and educational material), decreasing from the previous year (-3,4%) (Wischenbart et al., 2017b, p.10).<sup>96</sup>

Noteworthy is the fact that book prices have increased in 2018 (+1,5%) but despite that turnover has decreased (-1,15%) from the previous year with non-fiction and children's books being the only genres that showed sales growth (Hauptverband des österreichischen Buchhandels, 2019). This can potentially be attributed to an increase in new titles being published each year while at the same time the print runs are shrinking, meaning individual titles have increasingly short shelf-lives as well as publishers earning less and less per title (Wischenbart et al., 2017b, p.2). Consequently many Austrian authors are looking for broader recognition and higher incomes in the larger German book market (Eibl, 2015). In summary the underlying problem of the industry seems to be a market oversaturation as too many titles are being published according to Publisher N: "There are many publishers and some say too many because, and this is something we cannot exempt ourselves from, some things are being produced which without question could have stayed unproduced". This overpublishing of titles combined with a decline in book buyers results in books being bestsellers with only around 3.000 copies sold.

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<sup>92</sup> Publishers Association of Austria.

<sup>93</sup> The official statistics only cover 84% of the book market in Austria according to the *HVB* (Hauptverband des österreichischen Buchhandels, 2019).

<sup>94</sup> The German publisher's and bookseller's association (*Börsenverein des Deutschen Buchhandels*) publishes comprehensive statistics and market research regularly. Even though those reports focus mostly on Germany it can be assumed that general trends apply to the whole German speaking market as publishers in Austria have strong ties with Germany when it comes to trading. Especially so because books are marketed to all German speakers and have for a long time been sold across the border.

<sup>95</sup> It was not specified, however, what kind of companies were included in the group 'book publishing' businesses.

<sup>96</sup> This means the total market value per inhabitant was 85€ in 2014 and the book market amounted to 919 new titles and re-editions per 1 Mio. inhabitants (Wischenbart et al., 2017b, p.15).

These are no dimensions where a professional led publishing house can survive. I need to sell at least 5.000 copies for the business to be healthy, but this is not possible in Austria. And in large bookstore chains in Germany they don't necessarily wait for Austrian publishers. (Publisher I)

This means that even though Austrian publishers have the advantage of publishing in a language that could reach a large readership, it is not that easy to access those additional readers. "It is rare that German bookstores stock children's books from Austria and because German publishers are much larger than us, it is difficult. It is a strong competition which we feel intensively." (Publisher K). Size seems to matter here as capital is needed to be visible in German bookstores. Publisher I even concludes that „[s]mall publishing houses are among the victims of globalisation and I don't believe that the situation will improve". Hence Austria is an example for a smaller European nation that has a much larger neighbour with the same language, thus publishers face strong competition from German publishers while struggling for visibility in the German book market (Wischenbart et al., 2017b, p.13).

This situation is even more troublesome when looking at the finding from a consumer panel study in Germany conducted by *GfK*, which found that the industry had lost six Mil. readers (-16,5%) between 2012 and 2016 (buchreport.express, 2018, p.7).<sup>97</sup> Moreover, from 2015 to 2016 alone, 2.6 Mil. book buyers vanished and the trend continued during the first six months of 2017 (-6%). It is noteworthy that even regular book buyers stopped buying books entirely and buyers were lost through all demographics and social strata. It can, therefore, be concluded that the German consumer book market is in a slow decline. The study named new online media offerings and social media as main reasons for a shift in buying behaviour (ibid, p.8).

Consequently the turnover of the largest Austrian publishing houses has been halved over the last years, estimates *Wischenbart*. The turnover of the largest trade publishing house shrank from around 15 Mil. Euros to currently two to three Mil. Euros according to *Wischenbart* with the turnover of the larger publishing houses now amounting to around four Mil. Euros.<sup>98</sup> There is only one larger player left but only because it is part of a considerable German publishing group (*Hanser*) with a combined turnover of 43 Mil. Euros in 2017 (buchreport.magazin, 2018, p.18). Hence the book market underwent dynamic changes during the last ten years resulting in a market structure divided into many

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<sup>97</sup> No separate statistics for the Austrian book market exist. It can be assumed, however, that those trends affect Austrian publishers as well as they trade with the larger neighbour. Moreover due to a decrease in sales and revenue of publishers in Austria one can deduce that the trend is the same and that readers have been lost there as well.

<sup>98</sup> The *Börsenverein des deutschen Buchhandels* publishes a list of the 100 largest publishing houses in Germany, Switzerland and Austria every year according to their turnover. For the years 2016 and 2017 no Austrian publisher was listed there, so the largest Austrian publisher can only have a turnover of less than 7 Mio. €.

small players. *Wischenbart* furthermore claims that the share of German imports has been rising whereas exports from Austria to Germany are decreasing which could further explain the dwindling turnover of publishing houses.<sup>99</sup> Lastly *Wischenbart* sees the state funding practices as being partially responsible for the lack of commercial success of Austrian books in the wider German market as funding is largely granted for very Austrian specific content.

In these rather difficult market conditions, small publishers see only three ways to survive as the interviewees stated: self-exploitation, finding an affluent investor or securing subsidies. Thus the overall situation of small publishing houses focusing especially on literary fiction can be described as challenging:

I am very sceptical when it comes to the future of small Austrian publishers because the day-to-day business gets harder and harder. There are only a few independent publishers left which are able to survive financially on their own. Austrian publishers are either part of German publishing groups or they belong to the church or are taken over by *Red Bull*. One publishing house was just taken over by a member of the Porsche family, [...] namely people with money. These are the options that one has, or one lives off state subsidies. (Publisher I)

Besides relying on funding, most small publishers survive because they occupy very specific niches.

Niches are very important. You need a unique selling proposition, something that helps to distinguish yourself from the competition. There are so many publishers. Within the German speaking market we have 100.000 new titles each year. [...] The competition is huge. [...] It is difficult for small and medium sized Austrian publishing houses to make it into the German market. This is why I focus on Austria by choosing books which have an Austrian connection. (Publisher C)

Moreover, innovation and growth need continuous investment but as argued above the chances for return on investment are rather small in publishing. Hence this can explain why the industry seems stable in the regard that only very few new publishers enter the market.

Furthermore Austria has a strong publishing centre with Vienna which has an impact on publishers situated outside of this centre because the publishing activities of the periphery are often overlooked as Publisher N states:

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<sup>99</sup> No official statistics could be found to confirm this assessment. Exports from Germany used to be twice that of imports but this is harder to confirm since 2014 when *Amazon* opened warehouses in Poland and 2015 in the Czech Republic, which altered the supply routes of books and in turn export and import statistics (Börsenverein des Deutschen Buchhandels, 2017).



The people in Vienna and with this I do not only mean the *HVB* but also the publishers think that they are the centre of the world. And the rest they call province which is a wonderful word with so much meaning. It's the same as *cesspit*. It can't be a sound book when it's published in Salzburg or the *Voralbergen*.

This indicates that the industry displays an elitist understanding of the publishing profession in general. During the research the publishing industry presented itself mostly as a conservative one, which is visible in the lack of diversity among managerial staff and who holds powerful positions within the industry.<sup>100</sup>

The publishing industry is a sector which is governed by a gerontocracy. There are many old people in the publishing industry which you can see at the book fair and only very few young publishers. I am probably one of the youngest in the whole of Austria. (Publisher C)

It can be assumed that this has an impact on how the industry perceives and addresses technological change.

#### V.1.1.2. The State of E-Publishing

As mentioned previously there seems to be a lack of interest in collecting sales figures of digital products from *HBV* members, which suggest that digital developments are not yet very relevant for the strategic planning of publishers as it is difficult to make well-informed decisions without accurate data available. This is due to a still small market share of digital products according to the interviewees and the reason why they focus on their print businesses. Moreover, most publishers interviewed displayed traditional views on book publishing as an industry and change in general. One interviewee even referred to the printed book as the 'real book': "Sometimes readers come into bookstores and buy the books they've already read as electronic version. They then want the real book." (Publisher L).

To balance out those shortcomings in the data available, other sources have been consulted to obtain a rough understanding of trends and the market share of digital products.<sup>101</sup> The 'distance trade' (online-shopping, smartphone-shopping, mail order) for instance is increasingly popular in Austria with the shares of voice shopping and by

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<sup>100</sup> This was especially felt at the beginning of the research phase, as getting access to the industry was hard due to it being small and tightly knit. In addition it felt like entering this market as a young, female researcher was a disadvantage as it had an impact on the kind of information the publishing professionals were willing to share as well as the way they shared it. In Austria the power imbalance between interviewer and interviewees was felt the strongest.

<sup>101</sup> It is impossible to obtain a truly comprehensive understanding of the market share of digital products because *Amazon* does not share their sales data. Thus figures cannot account for sales of self-published titles on *Amazon* as well as e-books bought in other languages than German. Only recently has *Amazon* started to publish bestseller lists for their *Kindle* e-book sales on *amazon.de*, which hint at general trends regarding self-publishing, price points and the popularity of *Kindle Unlimited* among readers.

smartphone growing (+20% from 2016 to 2017), which has implications for the websites of publishers, how readers will search for and find books in the future as well as for their online marketing strategies (KMU Forschung Austria, 2018).<sup>102</sup> Overall books and magazines are the third most popular product category for distance trade (31% of the total retail relevant customer spending) with readers spending around 60 Mil. Euros on books and magazines in a year (ibid). Ultimately the online trade with books is growing with a share of currently around 20% (HVB estimate).

Furthermore the e-book market is expected to develop similar to the one in Germany with a market share of around 5% in 2013 (Wischenbart et al., 2016, p.48). It must be noted that the absolute number of e-books sold is still growing in the German-speaking market (4.1% up in 2016 from 2015) but e-book turnover growth is slowing down due to prices further decreasing (Börsenverein des Deutschen Buchhandels, 2017). The price pressure derives mainly from cheap offerings in the form of self-published titles and flat-rate models such as *Kindle Unlimited* and *Skoobe*. No reliable data exists for the share of self-published titles, however, and audiobooks are absent from statistics as well. Nonetheless industry experts estimate that self-published e-books accounted for around 15% of the whole German-speaking e-book market in 2013 (Matting, 2015). This includes sales via *Amazon*, *Tolino* and *Apple* among other e-retailers.<sup>103</sup> Moreover, *Wischenbart* stated that according to his research self-published e-books account for half of the sales in the lower price segments (till 5€). Lastly beside *Amazon Tolino* is the second most popular platform for e-book purchases and eReaders in the wider German speaking market.<sup>104</sup>

Overall most respondents were concerned about the decline in regular readers especially among the younger generations and emphasised that they feel that attention spans decrease plus that schools do not teach enough about literature anymore which interviewees see as potential cause for the further decrease in regular readers. As the choice in online entertainment grows consumer behaviour is changing so that once loyal book customers increasingly spend their free time otherwise. Even though publishers are aware of those changes in society and the wider media sector, hardly anyone ascribes importance to digital technology and if they do it is hardly in an optimistic way. The notion

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<sup>102</sup> These figures are taken from consumer behaviour research among 2.000 Austrians from the age of 15 conducted via telephone interviews between May 2017 and April 2018.

<sup>103</sup> It remains unclear how large the share of self-published titles in English is. It can be expected, however, that a significant number of readers in the German-speaking market has moved away from traditional publishing, motivated by low prices and a larger selection of available titles. Moreover flat-rates like *Kindle Unlimited* and platforms with free content like *Wattpad* might have further increased this trend.

<sup>104</sup> *Tolino* started as brand for eReaders and tablets distributed in the German-speaking market as an industry solution among book sellers to provide an open infrastructure as an alternative to *Amazon's* closed *Kindle* universe. Moreover small bookshops have been included as they can sell devices and e-books (via the *Tolino* cloud and White Label Shops) to their customers. *Rakuten* is the new soft- and hardware partner of the alliance after acquiring those shares from the *Deutsche Telekom* (German telecommunication network).

of inertia was mostly visible among the more established publishing professionals who had been in the industry for a longer period. They mostly focus on what they have been doing for years and see the slowing down of market share growth of digital products as confirmation that nothing drastic will change in the future, thus they conclude that there is no need to further change or adapt. This understanding was expressed during interviews when asked for changes in long-term strategies due to digitisation.

We did invest into the whole digitisation and we managed to earn back those costs quickly. So the costs did make sense. But now I feel a kind of tiredness when it comes to investing further and this is also true for my colleagues. The e-books sales do not develop as they did a few years ago. (Publisher B)

*Wischenbart* on the other side stressed that most publishers misunderstand the slowing down of e-book share growth and predicted that the disruption only started and the book publishing industry will be much more affected than it is visible at the moment:

Most publishers thought that publishing an e-book means that it should have the same price and cover as the printed version. Then everyone expected linear growth curves where the market would move from print to digital [...]. And finally everyone expected that the development of the digital sector in Europe would be similar to the one in the USA. Maybe with a bit of a time difference [...]. And all those expectations were wrong. [...] Furthermore the expectation was that after a period of change the market would reach a new balance and the change would be over. And lots of individuals in the industry behave like the time of change is over and that we all reached this equilibrium but on a lower level than expected. And I think that this is wrong because all those disruptive processes in different sectors in the last 20 years happened in curves. And if this is true we are at the end of the first transformation cycle and the second phase of these transformation processes is usually more severe than the first.

#### V.1.1.3. Business Models and Innovation

Nonetheless all publishers interviewed are including e-publishing practices into their routines. One of the questions posed at the beginning of this thesis was how publishing practices change due to digitisation and which publishers innovate their BMs, why and how. The following presents the overview of the changes visible in the BMs of the publishers interviewed according to the building blocks of a BM as have been defined in Chapter III.2.3. Those categories are not always selective, and overlaps exist.

#### Value Proposition

##### (1) *Products*

All publishers interviewed offer digital products, with e-books being the most widely used form of digital content dissemination. In general the popularity of the e-book version depends on the genre. What can be deduced from sales figures from the US and the UK seems also to be true for Austria: the digital versions of fiction titles sell better than non-fiction and children's books. "E-books are very segment specific and not even fiction is a meaningful segment because fiction dissociates into different areas. There are huge differences." (Wisichenbart). Hence sub-genres like crime fiction for example do well in digital form whereas literary fiction is more popular in print. "Why should something that counts as book culture and that distinguishes itself programmatically from everything new and current, why should that of all things be successful as an e-book? Especially when it costs as much as the printed book." (Wisichenbart). Moreover, art, coffee-table and illustrated books as well as books bought as gifts do not lend themselves for digital dissemination. In terms of backlist digitisation the interviewees stressed that acquiring the digital rights is a time consuming process which slows down the online content dissemination. For new titles all publishers acquire print and digital rights simultaneously. Moreover, older publishers with titles out of print see the backlist digitisation overall as an advantage to earn some additional income as well as bring books that are considered important from a cultural perspective back into the public eye.

It is, furthermore, noteworthy that only one interviewee publishes occasionally e-book only versions:

These are shorter texts, which we sell exclusively in electronic form. The prices are lower accordingly. [...] Sometimes we also sell texts that have been updated and are offered anew in digital form. This is not to rule out that they will be included into print books in the future. But at the beginning they only exist digitally. (Publisher L)

All other publishers refrain from offering e-book only versions and attribute this to a lack of customer interest in those digital products. This is also true for additional content that could potentially be offered online for both print and e-book customers. It is of not much interest to the publishers interviewed. The only other form of digital product innovation in this regard comes from Publisher M that occasionally publishes novellas that are part of a collection of novellas in print as single e-books. In general, however, most interviewees did not see an advantage in offering content in digital form only.

Moreover, enhanced e-books and apps were only of interest to the children's book and non-fiction publishers interviewed but as they are more complex and thus the production more expensive small publishers think carefully whether the investment is justifiable.

You have to develop those new forms of publishing but always keep in mind that some of these things won't work or won't be worth it. And then you have to draw the right conclusions from it. The relation between input and result. (Publisher L)

You have to invest a lot into children's books and at the same time they are not allowed to cost much. This means that a digital version makes sense only for best-sellers. (Publisher M)

Thus it is mostly the larger publishers, the ones that are part of publishing groups, who have the resources for elaborate product innovation. It has to be considered, however, that publishers are still in the process of figuring out the potential of new forms of content as described by Publisher F: "The app is just another channel through which we distribute our content. This is not yet something on its own."

Interestingly only Publisher E is currently experimenting with and investing in audiobooks and novel distribution models of those products even though audiobooks have been on the rise in recent years not only in the English-speaking world but thanks to *Amazon's Audible* also elsewhere in Europe. "Audiobooks are very popular here. This is interesting because *Amazon* with *Audible* did again what all others didn't do" (Wischenbart). Hence it seems like there is a yet untapped market for publishers of general fiction and non-fiction, one that would allow them to reach new audiences.

Furthermore the digitisation and the spread of the internet have led to novel ways of sourcing content especially in the non-fiction sector. Publishers who follow those trends are very successful compared to those who stick to the established ways of doing business, as Publisher E remarked:

When we started in 2004 we were considered successful when we sold between 4.000 and 5.000 copies. [...] Then in 2012 we sold 10.000 copies [...] And now we are up to 20.000 copies. Something shifted. What needs to be in a book so that readers buy it is changing. [...] Publishers say people do not read as much anymore which is not true. They just read other things. For example in a non-fiction title you used to include all information about a topic. Who buys something like that today? No one needs that. When I want to know something I look it up on *Wikipedia*. A non-fiction book is now a mix between a thesis and a novel. It can only be written by a person who has a specific argument and can offer an impulse for the public discussion.

Lastly some publishers are testing the potential of entering into the English-speaking market by publishing translations of some of their titles themselves.

What we do with important novelties, we produce our own translations and distribute them. [...] I also got a British distribution firm five years ago. That is quite smart from

a commercial perspective. We are of course not the hugest sellers in the UK with our Austrian topics. It is a tricky business. But without [...] being immediately findable, our English titles would be not possible. And two years ago I got a distributor in Chicago for the USA and Canada. We are much more successful there because the number of potential customers [...] is much higher. Our cookbook sells extremely well. Especially books about crafts. But this sells well in the UK too. We have a manageable number of books in English (about 50) which is too small to have a huge impact but it is something nevertheless. (Publisher N)

This further indicates that not only e-retailers are a way of distributing books internationally but also the established distribution network for printed books still provide access to a wider market.

## *(2) Customers and Customer Relationships*

A new relationship with readers has emerged due to the internet. However, it is something many publishers still struggle with especially when readers now question decisions by publishers directly. According to Publisher B not enough publishing houses are framing this as an opportunity they can use for their advantage. In addition authors today are also much more confronted with direct reader feedback and readers wishing for a closer relationship with their favourite authors which is also important for direct selling.

Publishing houses do not demonstrate their proficiencies enough and this is the publishers' fault. They never had contact with their end customers. Publishers generally do not even have contact with bookstores. It all works via sales representatives who sell books to bookstores and the bookstores sell them to readers. Publishing houses create something without thinking of the end customer and suddenly through digitisation the publishers are forced to interact with customers directly. [...] Now we have to communicate with them directly and lots of publishers are not able to do that or they don't want it or they have never learnt it. This opportunity is still not picked up enough. (Publisher B)

When done right this can be an advantage for publishers to generate additional sales by turning readers into loyal customers and creating a more reader centric business. This seems to work particularly well when direct selling is used to learn more about preferences of readers and when that information is used to offer additional services to those readers (e.g. newsletters). In general interviewees stated that books which are targeted at a younger demographic do better online.

Moreover, Germany is very important for publishers depending on the genres they publish. Overall most interviewees stated that reaching the wider German-speaking market is an area where there is still room for improvement. It requires an adequate programme,

however, one that is not too Austrian focused. In general it is easier for non-fiction publishers to break into the wider German-speaking market as well as reach German-speakers worldwide as reported for example by Publisher G:

We usually own the world rights to our books in the German language. So naturally we sell most of our books in Germany but it is interesting to observe that we have a growing readership in Japan and Russia on *Amazon* and also on *Apple*. I assume these are expats who are happy that they at least find some reading material in German digitally.

This depends hugely on marketing efforts, however, as Publisher B explained: “Because we don’t do much marketing and publicity abroad our sales in other countries are limited. But if we do some marketing than we notice a difference.”. Overall not many e-books are sold abroad.

### (3) Channels

Book dissemination is the area where digitisation and the impact of the internet are felt the most by publishers. Most interviewees see the new ways of distributing their books, both in print and in digital form, as an opportunity to reach more readers and generate additional streams of revenue. In general due to the same language Austrian publishers profit most from an easier access to German readers online which is especially true for general non-fiction publishers as readers search for specific keywords online. “We are not really present in bookstores in Germany and now we sell a lot of our products via our digital shop to Germany, also print products.” (Publisher F). Furthermore predominantly non-fiction books also travel to other parts of the world, mainly thanks to the infrastructure of e-retailers such as *Amazon*. Thus the internet opened manifold ways for publishers to reach new customers as well as regular readers more efficiently.

In general interviewees argued that the market situation for books, print and digital, are very different online. Whereas brick-and-mortar bookstores have limited space resulting in fights over visibility, databases have no limitations. Hence most publishers stated that online sales channels are more democratic, also in regard to the variety of books on offer, and therefore could present an advantage especially for small publishers.

This is an opportunity for us because we sell much more backlist titles online, also as e-book version, than in physical bookstores because when a book is five years old or so a brick-and-mortar bookstore won’t have it but for the customers it’s back online. [...] We hope that the e-book and the online trade are a counterweight that small publishers can profit from. (Publisher M)

The most important e-retailer in Austria is *Amazon* thanks to their customer focused business practices and even without fully entering the market. *Amazon* instead offers their services via the German web presence to Austrian consumers and thus *Amazon Prime* is particularly important for the book trade in Austria as it offers a convenient marketplace for readers to access books both in digital and physical form: “*Prime* is important for markets where *Amazon* is not present but delivers to. I can become a *Prime* member here and they deliver books to me anyway.” (Wischenbart).

Therefore *Amazon* offers a barrier free trade environment for general fiction titles which especially small publishers profit from according to *Wischenbart* as the disparity between large bookstore chains in Germany and niche publishers does not exist online. Furthermore publishers stressed that they often have no other choice than to go through *Amazon* due to bookstores not supporting local publishers as it would be desirable:

It pains me to rely so much on *Amazon*. It would be desirable for the brick-and-mortar book trade to take on the responsibilities that *Amazon* is currently assuming. But what is noticeable is that the ignorance of the brick-and-mortar book trade and them sleeping through all those developments is contra productive and has encouraged the online trade. (Publisher D).

Their powerful position means, however, that publishers in Austria cannot work around them which causes problems as *Amazon* puts pressure on them to reduce their wholesale prices and lower their e-book prices. Furthermore one interviewee stressed that this has resulted in a reluctance to work with them: “They are brutal in their interactions with us. We don’t like working with them. We only work with them under constraint and because of pressure. You can’t avoid it.” (Publisher H). Publisher M summarised the ambivalent relationship most publishers have with *Amazon* like this: “Dominant players are always unpleasant for the non-dominant ones. But on the other side *Amazon* is our biggest customer and *Amazon* is probably able to reach people that we wouldn’t reach otherwise.”. Thus, it can be concluded that *Amazon* has changed the way readers access and discover books.

Beside *Amazon* the second most important player for e-book sales is the German *Tolino Alliance*. In Germany the market share of e-book sales is estimated to account for around 25% of all e-book sales (*Amazon* accounts for around 50%) (Haupt, 2017) but some interviewees even stated that for them *Tolino’s* share is higher and much closer to the share of *Amazon*.

Moreover, the majority of interviewees sell their books and e-books directly through their websites. Publisher F even expanded the offering in its web shop and now also sells books of other publishers. This was achievable for Publisher F because it is part of a



media group and thus has more resources available. The approach to create a national offering in clear opposition to *Amazon's* global market strategy is faced with inertia by more traditional publishers who want to safeguard the established model of distributing books by not creating any form of additional competition for the brick-and-mortar book trade. "Direct sales were never a topic for us because we depend on bookstores and we shouldn't stab them in the back." (Publisher H). This seems to be true especially for literary fiction publishers as well as those with a more conservative view on publishing. The other extreme, however, is highly innovative non-fiction publishers who are focused on streamlining their business activities. Others reported that they do not sell books directly because they publish too many titles and setting up a direct sales infrastructure would entail too much additional work and require a large investment. Hence for some direct selling is too expensive and laborious. This indicates that publishers who are still small but have too many titles in stock are not able to afford selling directly as they are unable to make a direct sales infrastructure work in an economic way.

On the other side some publishers started selling directly out of a necessity to circumvent the barriers they encountered when selling through the traditional channels: "There were times where bookstores didn't want our books and that is why we started selling them directly. Now it's the most important sales channel for us." (Publisher F).

Bookstores are not considering us either. [...] This is why I stop doing this too. [...] And because the provision of bookstores is not so great anymore, it makes sense to offer readers the option to buy books directly from us. (Publisher N)

Here again well-known publishing groups as well as non-fiction publishers seem to have an advantage. In general publishers that are currently selling books directly highlighted that the share of direct sales is increasing and that it is overall a lucrative addition to their business. Others see this channel more as a tool to engage with customers: "We do not sell much through our web-shop. We sell e-books occasionally and sometimes also printed books but in general it is more a service for our customers to look up books. The sales are not relevant for our profit." (Publisher B).

Moreover, interviewees are distributing their e-books through public libraries and e-lending platforms. The advantage of those channels is that they are also interested in backlist titles whereas bookstores normally do no longer stock those. Hence they present an opportunity for the additional sales of backlist titles both in print and e-book format. Furthermore the publishers interviewed use specialised aggregators such as *DiviBib* to distribute their e-books to libraries for e-lending.

The libraries source the books through a library service provider, and then pay per title. They buy the book analogue to the printed version and then a user can borrow it for two weeks. This is basically the print model used for e-books. (Publisher B)

However, some publishers see the e-lending model as critical when it does not replicate the print model:

*DiviBib* would like to have two licensing models. One where e-books are lent one-to-one and another one where libraries pay for example five times the price and can then lend the book indefinitely. This is something I would not agree to voluntarily. (Publisher M)

Lastly *Amazon* is with *Kindle Unlimited* is the most important provider of e-book subscription services and thus the channel through which publishers earn the most, as described by Publisher B:

I tried different flat rate models and now we're only taking part in *Kindle Unlimited* because everywhere else the revenue was so little. *Amazon* has quite good deals. Their flat rate model is quite ok. The others, like *Skoobe*, make only sense for best-sellers. Readers need to download or borrow so many titles for it to be worth it and that is hard for small publishers to achieve. That doesn't pay.

In general subscription services are not very popular among Austrian publishers possibly because they do not see many returns from participating. Again, publishers stressed that it is certain genres that are doing well on those platforms; hence publishers tend to make lighter fiction titles available through subscription services. Overall there was a lack of knowledge, however, about subscription and lending services among the interviewees. Most respondents were not well informed about the channels their e-books are being distributed through when using an aggregator and also about different e-lending models. This is mostly due to interviewees not earning significant income through most channels apart from *Amazon* and *Tolino*.

#### (4) Communication

The spread of the internet and the increase in mobile device ownership has furthermore amplified the possibilities of publishers to communicate with their customers. It is at the same time a complicated field because the possibilities are manifold due to communication channels being very differentiated. However, *Facebook* in particular is a helpful tool to narrow down audiences and target products specifically at those groups for fewer costs when compared to other communication channels.

You can target people much better because they like different pages that might have a connection with the book. [...] It is very cheap. With these micro-payment systems,

you can define the upper limit that you are going to spend. [...] this has fantastic effects. It is at least good for awareness and realizable for us on a small scale but nonetheless does lead to sales. (Publisher B)

Hence most small publishers interviewed stated that they would love to be more active on social media sides due to the potential to generate more sales but are limited by time. In order to keep the business running, they must prioritize production and choosing the programme over online marketing activities. They lack the capacities and would need to employ someone specifically for a more digital focused marketing approach. It is, however, questionable if social media marketing would generate enough returns to justify spending money on additional personnel.

What can be deduced from the interviews is that, even though all publishers use social media channels like *Facebook* and *Twitter*, mostly non-fiction publishers experience positive sales effects, which they accomplished rather through advertisement on *Facebook* than through reader engagement. “*Facebook* allows you to qualify your target audience according to what they like and where they live. This means you can reach your target audiences very precisely with a small advertisement budget.” (Publisher G). This is logical as most smaller publishing houses do not have a big reach on social media platforms. It is the authors that capitalise on their following and publishers advertising their books to specific target groups rather than the publishing house itself. This means that non-fiction publishers can reach a larger number of prospective readers by carefully selecting authors with a large following on social media.

You can sell a lot of books due to reach alone. [...] This is why all authors who have a large following online are popular with publishers. Publishers look at the number of followers and if they are the target audience of the publishing house. Are those followers a target group that would also buy other books? [...] If this is a good fit, it has a huge leverage. (Publisher E)

Thus other non-fiction publishers highlighted the importance of authors for the successful communication with readers and creating awareness for books as well. “Authors have a much more tangible contact with readers and there is much more reciprocal action. Publishers can only support this. We are too small to feature individual authors on social media platforms.” (Publisher B). Publishers, moreover, emphasized that being active on social media is in an author’s own interest, which indicates that there is a growing expectation that authors know how to use those platforms as well as show initiative in engaging with readers online. Again, non-fiction authors and their books seem to profit the most from social media marketing and engagement, as the following example shows:

One of our authors has 50.000 followers on social media. For his last book he created a poll for the book cover on *Twitter*. People could choose between two options. The great thing about this idea was that we as the publisher could see what people like because we might be a bit blind otherwise. But this works with him because he is accustomed to this medium and he likes to play with it. (Publisher I).

For other interviewees social media marketing becomes less and less effective, however, as platforms like *Facebook* become more and more crowded and it is therefore more challenging for messages to stand out. Hence most interviewees use social media marketing rather on the side. Advertising events through *Facebook* events pages still works well for publishers, however (Publisher D).

As advertisement on *Facebook* is becoming more costly it can explain why publishers instead try out cheaper communication strategies like engagement with book bloggers and online reading communities.<sup>105</sup> Especially bloggers have access to specific groups of avid readers of a mostly younger demographic. This is crucial as book markets like the German one have been losing mostly younger readers over the last years (Börsenverein des Deutschen Buchhandels, 2018). Overall, however, interviewees stated that this is an area currently still under-utilised and one where they could benefit from investing more resources into figuring out how to make the most of these new parties in the advertising and marketing mix. Those channels seem especially useful for producing additional e-book sales due to their immediacy. More so than for the printed book because the marketing messages as well as the products are available around the clock.

Besides customer reviews of books on platforms like *Amazon* are increasingly important. Customers consult *Amazon* more and more before making any purchase decision (for goods bought on- and offline) and thus *Amazon* has an impact on a third of all non-food related sales on- and offline as a study for the German market found (Institut für Handelsforschung Köln, 2019). Publisher K, furthermore, found that the option to leave a comment somewhere online helps to create a closer relationship with the readers. Another advantage of online stores like *Amazon* is that customers can read sections of the book prior to purchasing it and that this option is available around the clock.

In terms of new forms of creating awareness for books Publisher B stated that giving away short stories for free (e.g. taken from anthologies) creates awareness as more customers downloaded the e-books. This did, however, not produce significant higher sales of the anthologies hence free e-books seem not to be a very successful marketing

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<sup>105</sup> *Goodreads* and the German *LovelyBooks* are the two book communities most commonly used, as no Austrian specific communities and online book clubs exist.

measure in Austria. Other publishers see e-book solely as a marketing tool, as they do not sell very well anyway but can help to generate awareness for certain books.

Lastly publishers emphasised that print channels like newspapers and magazines are still very important to reach readers and an effective way of creating awareness for a book (Publisher I). This is also true for events like readings (Publisher C). In general the communication strategy of all interviewees consists of a mix of old and new media.

### Revenue Model

#### *(1) Cost Structure*

Offering digital content on one side eliminates some of the costs involved in producing and disseminating the printed version such as the printing costs and the remission process. In digital form the books are always available and always in the right amount which lowers the risk associated with publishing a new title and in addition means that no resources are wasted. This particularly improves the situation of small publishers who are usually short of cash. "Returns are a big issue in the book trade. They account for 20 to 25% and with an e-book there are no returns. I find e-books very convenient because we sell content and not paper." (Publisher I). On the other hand e-publishing comes with some additional costs, since a whole new infrastructure is necessary to produce and disseminate digital content. Here the size of the publishing house seems to be an important factor, as big investments are only feasible for larger publishers, as Publisher F stated:

The disadvantage of digitisation are definitely the increasing costs because with the new technology there are things that publishing houses need to hold available and carry out in order to disseminate the content respectively. There is an additional cost factor which in sum does not necessarily generate much more returns. This is problematic. Maybe not so for micro publishing houses because they do everything themselves anyway but it gets expensive from a certain size onwards. Micro publishers are maybe the least adversely affected by this but from the moment they turn into small publishing houses the costs explode. The bigger the publishing companies the easier it is because the costs can be split between more products.

Hence micro publishers have an advantage, because they are mostly organizing the production process in-house instead of outsourcing key value creation tasks. Ultimately they do not need to invest much money when covering digital production and the distribution in-house. They profit from free open source software that allows for cost efficient production of digital content as well as from international distribution channels which do not discriminate according to size. Only when those publishers get larger, they struggle

with the investments as in-house production and distribution becomes more time consuming with an increase in title production. In those cases the limited amount of staff has difficulties covering the additional workload connected with digital publishing.

Moreover, the production of enhanced and heavily illustrated e-books is connected with high additional costs and the main reason why rarely any publisher offers those products. Customer demand is not high enough to justify the additional investment. Furthermore digitising the backlist generates additional costs as well as publishers might not yet have the digital rights especially for older titles. In general producing a digital file of a book generates almost the same costs as producing the print version, hence interviewees emphasised that producing an e-book is only worthwhile when they offer the printed version as well: "I have the same production costs. I have to pay the author, the editor, the employees and I need typesetting." (Publisher I). The printing costs that publishers save when producing an e-book (~1,50€ of each book) are not a deciding factor. This is especially true for translations as those increase the cost even further. "Because the sales figures are so low we would not recoup the production costs if it would only be published digitally. The production costs are too high for that." (Publisher G).

Besides producing an e-book comes with additional costs such as proof-reading which means that those costs need to be offset by additional sales. Publisher B mentioned, however, that e-books still make sense financially because the distribution costs are much lower compared to print books. Consequently e-books make most sense for genres that sell in higher quantities such as popular fiction and it explains why fiction publishers are more likely to experiment with other forms of digital content such as e-book only versions.

Furthermore online marketing as part of a new communication strategy is a cost-effective way to promote books online while also improving the cost structure of publishing houses. It allows small publishing houses to reach specific target groups more easily and is furthermore a way to address new audiences. However, publishers need to be mindful with the sums they invest into digital marketing strategies as the additional costs can be hard to offset by additional sales. "We invested so much money in elaborate social media campaigns for books with videos and so on, but they didn't lead to any further business. I think the reason is because the audience perceives things differently on social media." (Publisher E).

Moreover, in order to be better visible in online stores publishers need to pay for advertisement on those sides and for better listings and overall presentation of their books similar to the way they have to pay bookshops. Lastly publishers selling books directly need an adequate web presence and shop which produces additional costs.

## (2) Revenue Streams

Publishers in Austria are struggling to make profit from selling digital products, which has been largely attributed to publishers' pricing strategy. The majority of publishing houses price e-books close to the price of the paperback edition which hampers the growth of the e-book sector, as readers seem to prefer e-books priced in the brackets of 1.99 € to 4.99 €. <sup>106</sup> This is supported by sales figures from the self-publishing market, demonstrating that e-books that cater for those preferences are selling better. Publishers that have experimented with lowering the e-book price significantly confirm that this might be one of the key success factors for making a profit with those products.

I see lots of publishers who sell the e-book for a price that is two or three Euros cheaper than the price of the printed version and I think that is the wrong way. The situation is as it is and one must accommodate the situation somehow in price. The e-book must be cheaper and this works. (Publisher H)

Overall e-book sales are an additional form of income for all interviewees but other forms of income from digital products play hardly any role. Only *Kindle Unlimited* generates some additional income together with e-lending through public libraries.

Only non-fiction Publisher H noticed growing revenue from app sales while the share of e-book sales is decreasing for most non-fiction publishers interviewed. "We sell quite a few apps in some areas. But the e-book itself is a marginalised product, which we offer to our readers so that it's there. It doesn't make any sense from an economical point of view.". Moreover, one fiction publisher reported to earn additional income from selling short texts in digital form. This can be attributed to the low price of those offerings (between 0.99€ and 3.99€), which seems to be a sensible price point for fostering digital sales. Besides audiobooks too only generated additional income for Publisher E who sells the files through two models: "We sell audio rights to audiobook publishers and we are experimenting with streaming and subscriptions. For this we do not use current books but books that are one year old or so."

Furthermore it is difficult to predict which books will sell particularly well as e-books. In general fiction is more popular in digital form than non-fiction and there seems to be a positive correlation between the increase of paperback and e-book sales, as Publisher M noted: "What I find interesting is that [...] if a book is successful in paperback the e-book version also sells very well. This means there is an upward trend in the second exploitation phase."

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<sup>106</sup> Interviewees discount e-books mostly around 20-25% compared to the cheapest print version (i.e. either hardcover or paperback). A more detailed overview of the pricing of e-books of each interviewee can be found in Appendix 4.

Small publishers also stressed the advantages of selling online (incl. selling directly) as a way of working around the discrimination in the book trade and thus generating additional income.<sup>107</sup> They do not depend on books being in stock in a bookstore and at the same time their books are available worldwide. Even though publishers need to invest into being findable online (e.g. SEO) those costs are offset by additional sales according to interviewees.

In the book trade small publishing houses have to some extent difficulties to get shelf space because our sales representatives might not be as welcome as once from big publishing houses and big publishing houses have of course more budget [...]. Online everyone has equal space because readers search for your content or it gets linked. Small publishing houses do not have the same strong competitive disadvantages online but are rather on equal footing. (Publisher G)

Moreover, *Amazon's* growing popularity among readers means the company occupies an increasingly powerful position in the book trade, influencing which books are being promoted and seen by readers. The sales rank on *Amazon* therefore is an indicator of books doing well commercially and small publishers being successful on *Amazon* see their books being picked up by brick-and-mortar bookstores, which leads to more revenue, as Publisher E pointed out:

The biggest change digitisation has brought are all the wonderful opportunities for small publishing houses. In the past big bookstore chains weren't really interested in selling our books but now we call them and tell them that one of our books for example is on the second place on *Amazon* and that we will supply them with the book if they [...] give us 10% more because they are late. The power is with us now. The power is with the people who have good ideas and not only in their home country but worldwide.

Overall the relationship with big bookstore chains improves for small publishing houses thanks to the internet. Previously it was difficult for small publishing houses to distribute books via the main bookstore chains because they do not have the resources to pay for visibility. Now the situation is reversed and the bookstore chains are approaching publishing houses when books are popular online. In addition the internet has given back some power to authors, especially those of non-fiction titles, as the size of the publisher is no longer important for them to earn a living.

If a book of a small publisher is good it has almost the same chances as a book from a big publisher. [...] A couple of years ago we didn't sell much and suddenly we

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<sup>107</sup> Publisher F even reported that 40% of its total revenue is made through direct sales.



dominate the non-fiction market in Austria. Last year almost all of our books were bestsellers because no one can stand in our way now. (Publisher E)

In addition doing well on *Amazon* helps with rights sales, as agents are increasingly looking at those bestseller lists when searching for new material, which in turn adds to the democratisation of the publishing industry as small publishers have similar chances to larger publishing houses to publish a bestseller. The interviewees emphasised that good content is very important for success and more important than the size of the publisher, as online retailers like *Amazon* and the internet overall have created an ecosystem that allows small publishing houses to create bestsellers too. Instead of hampering the development of a diverse book market online, the oligopoly structures in the book trade are actually supporting the content creators, giving them more control and improving their bargaining powers.

This is reinforced by the new forms of digital content that can be sold all over the world at little additional costs. E-Books therefore are also regarded as a marketing tool that creates visibility, especially outside of Austria. E-books present an opportunity to enter the larger German market more easily, a market most Austrian publishers struggle to access due to powerful local players. Most interviewees pointed out that e-books can be found easily online which helps to sell books to new regions (this is true for e- and print sales).

E-books generate additional revenue and we have the impression that to some extent e-books are an advantage in regard to distribution. Austrian publishers struggle to get their books into German bookstores and with e-books there are no hierarchies, there are no barriers in a way that someone decided whether to stock your books or not. We sold e-books in areas where our books are not present in bookstores and then also sold physical copies there. (Publisher B)

Moreover, publishers hardly ever participate in price promotions online, even though this seems to have a positive impact on sales figures, especially when discounting fiction genres such as crime. Lastly the fear that digital products would cannibalize print sales was not confirmed by the interviewees, hence e-books generate additional income for publishers. To conclude e-books are rather an advantage for the cost structure as overall production and distribution costs are lower in some areas and thus in turn the revenue of e-books can be larger than compared to printed books but only when both versions are being produced simultaneously.

The biggest economic advantage of e-books is that you do not have to reprint books. The even bigger economic advantage is that you never have too many books. [...] This is all tied capital. Those books are all paid for and printed and generate storage

costs and insurance costs. The big advantage of e-books is that they are always available in the right amount. This is very important for small publishers. (Publisher B)

### Value Creation Process

The value creation process has most visibly changed for publishers when looking at the production process of books in general. Most publishers interviewed now are streamlining their production process with the use of publishing software.

During the last years a lot has changed because we introduced a new software. A software that consolidates the individual production steps because all employees have access to the cloud system from home and everywhere else. We have some authors who do not write on paper anymore but who send us their material electronically. And for project-based works like book projects the software is ideal. It's great when you only need the internet in order to work. (Publisher K)

Besides the production of standard text-based e-books is mostly done in an automated way, typically through outsourcing of the actual conversion. Hence the additional production step can easily be incorporated into the value creation chain. Another change in the value creation process of publishers can be attributed to PoD technologies. They replace all other steps in the production chain and thus shorten the value creation process considerably. Moreover, the costs to set-up a publishing house are not so high anymore which means that it is easier and more lucrative for new players to enter the market.

Not all publishers see the advantages of a digital workflow, however, and stick to the established but less efficient ways of working:

You have the script on paper, this is how I am used to work because I can write my comments in the margins. I am a fan of paper. This is my generation and my age. But the authors don't resist either. I haven't heard from anyone that they can only send the manuscript digitally. They all send paper with passion. (Publisher H)

### *(1) Key Resources, Activities & Competencies*

The importance of an entrepreneurial mind-set was stressed regarding competencies. An explanation why young publishing houses might cope better with adapting to technological change. Their approach is more flexible because they don't have a past rooted in print and no established structures that hold them back as non-fiction Publisher E argued:

Old established publishing houses are shaped by the way books were made in the 80s and 90s and that doesn't work anymore. These publishing houses employ lots

of editors and decide topics but the whole process of finding topics has changed. We only publish a book when we know exactly that there is a clear PR concept with a success chance of 90% behind it. [...] We only publish a book when we know that it will be discussed in the print media. [...] The book publishing business has become a show-business. It is infotainment and it is show-business.

Another very important competency, especially for non-fiction publishers, is the ability to anticipate what impact social media followers of potential authors will have on future sales of books. This also means that publishers find and look for authors in a different way now due to social media and the internet.

Furthermore when asked about the reasons why authors should choose to publish with a publishing house over self-publishing, interviewees emphasised that their marketing and publicity competencies are one of the most important skills they can offer to authors that differentiate them from self-publishing. "Of course I ask myself how I can justify it before an author that he should choose me and I bet on marketing." (Publisher I). Moreover, publishers' experience in professional book production is an additional incentive for authors to opt for the traditional publishing route according to interviewees.

Overall the publishers stated that digital publishing does not require as many new skills as a professional editorial process and a meticulous production are still seen as the most important skills of a publisher. Depending on whether the publisher produces the e-books in-house or outsources the conversion and distribution, some new competencies had to be acquired. "We only had to learn how we upload the file into the content management system of the different web shops and then of course contracts. But overall the additional competencies are manageable." (Publisher G). „How we work didn't change so much. [...] Producing e-books has no impact on the editorial process, the technical conversion is something else. Our technology department is responsible for that." (Publisher L). Thus when in-house production of digital products was chosen, technical skills became more important. Another important new skill apart from producing high quality e-books is generating metadata for e-books (especially keywords and indexing) which requires a certain technological understanding (e.g. Onix).

You have to think about how you can make sure that customers will find the book. What do they want and how do they find it? This is an extremely important competency. But this too took an employee of ours on. We didn't employ someone new for this. (Publisher B)

Moreover, social media competencies become more important. Most interviewees emphasised that experience and experimenting is the best way to acquire those skills. "It was mostly learning by doing. Of course we look for employees that are interested in this

but they do not need a university degree in social media communication but they need to be interested in digital media.” (Publisher K).

In general the digital transformation of the industry has led to learning processes in the individual publishing houses. To navigate through this period of change the interviewees highlighted the importance of knowledge exchange within the industry.

We had to learn how to navigate all of that, how to appraise those developments and you need to practise that. You have to talk to many different people in order to understand it but in the end we managed to solve most of it in-house. (Publisher H)

## *(2) Organisational Structure*

Digitisation did not have a huge impact on the organisational structure of publishing houses, as most of the in-house processes required for value creation remain the same (e.g. editorial, layout, typesetting) and new tasks such as social media marketing do not warrant the creation of a separate role. None of the interviewees hired additional personnel to take on responsibilities that incurred because of e-publishing, but rather existing staff took over additional tasks (e.g. metadata).

Only when setting up a new publishing venture did interviewees describe that digital technologies have had an impact on how the organisation is set up. Content management systems and the internet allow for a more flexible way of working and as a result an office is no longer a necessity.<sup>108</sup>

We are a really small team, we are five people, and we are the largest non-fiction publisher in Austria. We have employees that we don't see because why should our editor sit in the office here? He has to read books and talk to authors. (Publisher E)

In order to profit from the opportunities a more flexible approach to organising the value creation of a publishing house requires an open mind-set of the publishing director. This attitude was mostly visible in younger companies and individuals entering the industry with a non-publishing related background.

Lastly interviewees whose publishing houses are part of media corporations or publishing groups emphasised that being owned by a larger entity comes with certain advantages like organisational flexibility and synergies through sharing of resources as well as access to a larger pool of competences. “I have the option to use the accounting and licencing departments of the group for a service fee. [...] That way we can save some money because those people are not permanently on our payroll.” (Publisher G).

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<sup>108</sup> This presents an opportunity to save overhead costs.

We do certain things together in the group because of the synergies. [...] We are still a separate limited company we create our own financial statements and this is why we have to pay a share towards the costs for services like distribution, marketing and advertisement to our department in Munich. (Publisher L)

Media groups furthermore create internal competition for their divisions so that prices remain low.

When I want to produce an app or an e-book, I ask our IT department, which is its own profit centre, how much they would charge me for it and if I have the feeling that this is too expensive then I go out there and ask the market how much it would cost me. We use external providers most of the time. (Publisher F)

This allows publishers to work flexibly while still making the most of the in-house resources and competencies. This is an advantage compared to smaller publishing houses who rely solely on the market when producing digital content in cases where in-house production is economically not viable.

### Value Network

Digitisation has changed the publishing value network in many ways and thus small publishers in Austria also had to adapt their position within the wider industry. New partnerships and competition evolved while at the same time many things stayed the same. This will be addressed in the following sections.

#### *(1) Competition*

Most publishers do not see any changes in the competitive environment while mentioning the book trade and printers as the professions most affected by stronger competition today. Moreover, most interviewees do not see self-publishing or the increase in published material as a form of competition because they understand publishers still as gatekeepers.

Self-publishing is an issue in the regard that it is an area that is growing and possibly, when readers spend money for self-published books, they then spend less on books. A share of their budget goes towards self-publishers. I do not think it's competition. I don't see the function of publishers being questioned. And most self-publishers want ultimately a publisher. [...] And those success stories of self-publishers are myths most of the time. Those cases are joyous for the industry but it's no real competition. (Publisher B)

Hence it can be concluded that self-publishing has not had a huge impact on the market environment of established publishers.

In general, interviewees do not perceive other publishers as competition but are rather alarmed by the decline in readership possibly due to the growing popularity of other media formats.

I have always seen competition as a chance. [...] What worries me more than competition are the reading habits especially of pupils and teenagers. If a third of male teenagers claims with pride that they have never read a book in their life, this is something that will be much worse for the years to come than when five new publishers open a business across the road from me. (Publisher N)

This is also true for other publishers in the wider German-speaking market. Most publishers do not perceive them as competition. Moreover, titles published in other languages are also not seen as competition and *Amazon* too which provides easy access to content in different forms (*Prime, Kindle Unlimited, Audible*) was not mentioned as a threat or strong competitor for interviewees' businesses. Interviewees emphasised the notion that books are very specific products and not easy to substitute with each other. Especially when publishers publish original fiction and non-fiction, they do not see other reading material as a form of competition.

## (2) Partners

New players have entered the publishing value network that support publishers to innovate parts of their businesses and with their e-publishing practices. Interviewees reported changes in the value network in three areas: distribution, marketing and production. Besides other publishers become important partners especially now that book publishing is faced with much stronger competition and challenges from 'outside' the traditional industry. Sharing knowledge, resources and support makes all of them stronger in an increasingly international industry.

What changed in a positive way is that more publishers than before are entering into cooperation. That we work on things together will become even more important in the future. I was for a long time a lonely wolf in the desert because I was never afraid that another publisher would steal my best author if we would get a stand at a book fair together. (Publisher N)

Overall the focus remains the author and for the majority of interviewees this means especially Austrian authors. "It's easier to focus on one market and because we are in Austria we focus on Austrian authors. But we also look at the German market." (Publisher E)

### *Distribution:*

Most interviewees chose to outsource the e-book distribution. Most publishers work with German aggregators.<sup>109</sup> The main reason for this decision is that aggregators are able to negotiate better shares with *Amazon* due to the larger number of publishers they represent. For all publishers the two most important customers of e-books are *Amazon* followed by *Tolino* and thus at the same time the most important partners to distribute e-books. In cases where publishers do distribute e-books to the online shops themselves it is to keep larger margins for themselves.

Like most of our colleagues we quickly moved to a distribution partner. The Austrian publishing landscape consists of many small players and publishers are especially small in comparison to Germany. This is why in Austria many publishers make use of a service provider [...] The reason for that is that they negotiate the individual conditions, discounts and so on. Now all is centralised, which works well. [...] The main reason why *Bookwire* can negotiate much better terms with the partners is because they have around 200 publishers and this is why they can speak differently with players like *Amazon*. This is why the provision we pay them pays off through better terms with the individual distribution partners. (Publisher B)

Publishers that supply libraries with their e-books largely work together with specialised service providers for e-lending services in public libraries in the German speaking area (e.g. *DiviBib*).

For the sales of print books Austrian publishers still focus on the traditional distribution chain via brick-and-mortar bookstores as they are still the most important sales channel for printed books in the whole German-speaking market. Some actors in the value network become less important (e.g. sales representatives), however, as the share of sales through e-retailer *Amazon* increases each year. Moreover, *Amazon* was mentioned as a partner that is able to reach a larger customer base and readers that publishers would not be able to reach otherwise, but at the same time the ambivalence of this partnership was stressed. That the relationship with the book trade was never simple, emphasised Publisher M: "I wish there would be a stronger sense of responsibility from those in powerful positions. But this is not how capitalism works. Large book chains were also not our best friends". Furthermore one publisher is now also a distribution partner for other publishers in Austria: "We are a small *Amazon*. [...] The more *Amazon* is being criticised internationally the more customers come to us. But of course our customers are mostly local." (Publisher F).

Noteworthy is also the role of *Amazon* as a partner for selling rights. This is due to the growing importance of the sales rank there as mentioned previously. "The agents who

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<sup>109</sup> Publishers work mainly with *Bookwire* and *Libreka*.

want to sell foreign rights, the paperback publishers who want to buy the paperback licences, they all look at these rankings.” (Publisher E).

*Production:*

Publishers have the choice between in-house e-book conversion into the different formats required by web shops or outsourcing this task. Most interviewees chose to convert elaborate e-books themselves but choose a service provider for standard text-based e-books. When a service provider is chosen it is usually the same firm that also distributes the e-books. Thus publishers are able to streamline their production processes and reduce the overall production costs.

We produced the e-books ourselves at first. [...] We experimented with a lot of different models for a while and now we send every book to our service provider for conversion. This all happens automatically and we don't have to handle anything.  
(Publisher E)

Lastly the print book production profits from working with partners that now offer more efficient ways of printing thanks to technology. Interviewees emphasised especially the advantage of being able to upload all data for printing directly to the server of the printer.

*Marketing:*

Furthermore the relationship with the authors has changed. The author selection process changed especially for non-fiction publishers and resulted in a new form of competition over individuals with a large social media reach due to new publicity and marketing strategies. Moreover, authors become important partners when it comes to social media marketing: “Social media marketing is in the authors' own interest. If they want to become well known, then they have to present themselves on those platforms” (Publisher N).

*Amazon* is also an important partner for marketing, as they pay for ads on channels like *Facebook*. Therefore publishers need to spend less on advertisement, which is especially positive for smaller publishers. Interviewees also mentioned the option for readers to get previews of books online as a helpful marketing measure. Furthermore bloggers are increasingly important marketing partners for publishers. In general online marketing measures are more important for e-books due to their immediacy. Thus social media channels are important partners for publishers too, especially due to the marketing message and products being available around the clock.

V.1.1.4. Policy Frameworks and Funding for the Publishing Industry

In the following rules and regulations will be discussed that hamper and support the day-to-day business and implementation of digital strategies of small publishing houses in



Austria. The common themes discussed in the majority of interviews were tax policies, the fixed book price, issues with copyright and compensations for IP as well as concerns over piracy. The section then concludes by looking at available funding for small publishing houses, as many interviewees who publish literary fiction rely on external funding.

### Taxation

*Benedikt Föger*, president of the *HVB*, is particularly concerned with the competitive ability of the local book trade. He argues that tax loopholes favour retailers that operate globally and that they need to be closed. This comment is directed at politicians in Europe as companies like *Amazon* pay the majority of their income tax in low tax jurisdictions outside the EU, which puts local retail sellers in a disadvantaged position and hence “without supporting measures Austrian retailers cannot preserve their businesses in some locations” (Hauptverband des österreichischen Buchhandels, 2016). Publisher B, however, cannot see that this situation will improve anytime soon as

big companies like *Amazon* and *Google* are very successful when it comes to lobbying. The legitimate criticism here is that publishing houses are in a difficult position. We have a strong publishing association, the *FEP* (Federation of European Publishers), which does great lobbying in Brussels but it is really hard to come up against these big corporations because they have inconceivable resources.

Overall most interviewees agreed with these concerns and stressed that international tax legislation needs to be improved to create level competitive conditions for local players. The issue with this is that legislative procedure, being built on consensus, is a slow process. That this can hinder politicians from agreeing on suitable solutions quickly could be observed during the debate in the EU about the establishment of a tax on digital products which was blocked by countries like Luxembourg that are profiting from tax competition to attract global companies. Publisher F stressed that small publishers especially feel the power imbalance between the publishing industry and companies like *Amazon*, because they have no means to change the legal environment they operate in.

Market accumulation, the greatest possible tax exemptions and so on, these are big developments which have an impact on small publishers as well. [...] The whole tax legislation in Austria as well as in the whole of Europe is very Amazon-friendly.

Two more points were raised repeatedly during the interviews: the first concerned the difference in VAT on printed and e-books. It particularly hampered publishers in creating innovative new products as for example the sales of bundles (print and e-book being sold together) is unnecessarily complicated. This in turn affects small publishing houses

the most, because they have fewer resources that they can invest into finding solutions for these problems.<sup>110</sup>

Lastly publishers struggle with another fairly new EU legislation that was introduced to prevent international retailers from profiting from different VAT regimes in Europe and them setting up their head offices accordingly, meaning in countries with low VAT rates. Today all companies are required to pay the VAT not according to where their head office is located but instead in the country of residency of the customer (European Union, 2019). This policy, which in theory sounds like an improvement of the situation of smaller and less powerful companies, did in reality not improve the situation of those small publishers but instead caused confusion among publishers and increased their workload.

We have a VAT number in Germany [...] and I pay VAT in Germany but in a country where I do not have a VAT number, how do I pay the tax then? These sums, when I have sold three e-books, where do I pay that? In times of the EU this is laborious. I think this regulation entices people not to pay tax. (Publisher I)

This demonstrates that this new rule has created uncertainty among small publishers. A system was put into place from the EU, however, to support small firms with paying VAT in the member states (MOSS)<sup>111</sup> but as the statement from Publisher I shows this was not communicated clearly enough as publishers in Austria were not aware of the alternative to paying VAT in all member states separately. Others argued that this legislation is no solution to the problem that companies like *Amazon* that operate globally will always find ways to prevent paying much tax on their profits.

### Copyright, IP Exploitation and Piracy

Publishers furthermore expressed concerns about a ruling by the *European Court of Justice* (ECJ) on the topic of e-lending practices in public libraries (C-174/15)(Court of Justice of the European Union, 2016).<sup>112</sup> One respondent in particular emphasised his preferences for a more traditional publishing model and thus a wish to replicate the print model of library lending in the online world:

Yesterday the *ECJ* decided a case from the Netherlands. The case was about whether e-books can be lent indefinitely by libraries without them having to pay a flat rate and the *ECJ* approved. E-books are like books and we say in conversations with politicians or libraries that when you buy a physical copy and lend it 5.000 times you

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<sup>110</sup> If the recent change in legislation allowing for a reduction of VAT on e-books will lead to more product innovation needs to be examined in the future.

<sup>111</sup> The Mini-One-Stop-Shop procedure allows small companies to pay VAT once centrally in their home countries.

<sup>112</sup> The ECJ strengthened the position of public libraries by stating that e-books may, under certain conditions, be treated in the same way as lending of printed books. Hence libraries can lend e-books following the 'one copy one user' model and when authors receive appropriate remuneration.

have to buy the book at least four or five times because it breaks at some point. With an e-book each copy is like a new book and that is why there needs to be an equivalent for the exhaustion of the object. I want to see this realized. I am very concerned right now. (Publisher M)

Furthermore another interviewee raised the topic of copyright compensations in libraries. Again e-books are being treated differently from printed books which disadvantages them further and makes them unattractive for publishers and authors from an economic point of view because print books ensure a higher return on investment.

With e-books there are no library royalties, thus no copyright compensation. We have that for printed books. Publishers and authors get money but this does not exist for e-books and that is a problem. [...] This is something where the legislator could do something as it concerns the mandate of the collecting societies. (Publisher B)

Moreover, the erosion of the copyright online concerns all publishers interviewed. In particular the developments in the wider media industry publishers find troubling:

There is this tendency which is concerning, this whole Open Access ideology. When this idea spills over from the academic sector, the idea that knowledge is such a high good and this is why we need to get everything for free or similar stupid arguments. [...] The copyright is always in a backwards defence. (Publisher M)

The power of Google is important. You have to regulate them. This is a political question: how to do handle the digitisation and the copyright and so on. (Publisher E)

The internet is built on the idea of free access to information and companies like *Google* have found ways to monetize the attention of its users in a different way when compared to print centred media. How content creators can be adequately compensated for their work online remains a question of fierce debate as the recent discussion about the *European Copyright Directive* has shown. To sum this up, finding revenue models that will be accepted by users online remains a struggle for traditional media.

In addition, the ease with which e-books can be copied and illegally shared online adds to the struggle of publishers for viable BMs. Even protecting files with DRM is no guarantee to be safe from piracy, as there are always ways to circumvent those protections and publishers, moreover, see it as the responsibility of the legislator to come up with a solution: „There are hardly any measures you can take against those file sharing platforms. We found all our ePubs on one of those platforms. It is impossible to get them removed from the web. It would be extremely helpful if there was a legal action to limit this.“ (Publisher K). It remains unclear how legal actions could protect publishers from

piracy, however. Others were not bothered by piracy at all, as Publishers I put it: "I see it as a compliment.". Overall it seems to depend on the focus of publishing as some titles lend themselves for being pirated whereas others are of no interest for pirates:

We have not a huge piracy problem here in Austria because our books have only small print runs and the content is mostly uninteresting to steal. This is different with bestsellers of course and here the proportion of pirated titles is much higher. (Publisher B).

### Fixed Book Price

Publishers also mentioned the fixed book price when asked about policies that support their e-publishing practices. They see it as a measure that protects them a bit from the market power of *Amazon* and the pressure of having to give them too much of a discount.

It protects our e-books as well in the regard that no one can put single publishers under pressure. There is this discussion with *Amazon*. They don't understand this as Americans [...] but it is important for the cultural product book and especially for a small culture like Austria. [...] In Switzerland the fixed book price has been abolished and this led to big problems. The small bookstores increase the prices and the large ones sell the bestsellers very cheap. And because Switzerland has a lot of people living close to the border and the books in Germany are obviously cheaper so people buy them there. Or they order them from *Amazon*. That is a huge problem. (Publisher B)

At the same time the fixed book price restricts publishers in utilising online marketing tools like price promotions on *Amazon* as the options for discounting e-books are limited. This can be a problem because *Amazon* as a global web shop offers access to e-books, which fall under the net book agreement next to ones that do not and therefore those without fixed prices might appear more prominently on *Amazon*. These market conditions could also be the reason why price promotions do not play a big role in the day-to-day business of the interviewees.

In general e-publishing challenges the closed system that used to be publishing. With books travelling more easily between countries institutions that are understood as book cultural measures are being questioned such as the fixed book price.

### Support for the Publishing Industry

In Austria publishing houses can apply for a special kind of funding that they, if successful with their application, receive not for specific titles but as support for the publishing house

itself. With the so called *Verlagsförderung*<sup>113</sup> the cultural ministry supports literary fiction, children's book as well as non-fiction publishers with a focus on art, culture, philosophy, and history (excluding the 20<sup>th</sup> and 21<sup>st</sup> century). Applications can be submitted annually and successful publishers receive a lump sum three times a year for the spring and autumn programme as well as for marketing and distribution measures.<sup>114</sup> Most publishers receiving the *Verlagsförderung* seem content with the funding situation and see it as an important measure to safeguard Austrian culture as stated by publishers Publisher L and D:

The amount of funding depends on the number of titles as well as the professionalism of the publishing house that applies. The maximum amount for a year including distribution activities is 150.000€. The jury who decides [...] consists of authors, journalist, booksellers and specialists in German studies. [...] For publishers whose application is rejected there is the opportunity to apply for project funding. [...] I like the system in general. What I don't agree with is the amount of funding. Since the scheme was introduced in the 90s the total amount has not been increased much.

The assumption that Austria is a cultural land was followed by the idea to provide sufficient means for the publishing industry. Before that, between 1945 and 1990, about half of the publishing scene died [...] so the threat was there that the intellectual basis of this nation disappears. This threat was so big that also political parties realized they had to act because you cannot survive from high culture.

All literary fiction publishers interviewed agreed that without this funding many books in Austria would not be published and some publishing houses would have difficulties to survive. This is also largely because the funding situation has had an impact on strategic decisions of publishing houses as Publisher H states:

Without the *Verlagsförderung* the whole publishing world in Austria collapses. That is a fact. We all count on getting the support. At the beginning we said 'Ok, this is additional income and we are happy if there is something left over.' But at some point you start planning with this additional money in mind. We started publishing eight books instead of six each half-year. We can afford to do this with the additional support and then we might employ someone. And when suddenly the funding is not there anymore this collapses. This is what I am afraid of.

Giving out generous amounts of funding to some publishers also means that others who apply do not get it which has led to heated debates within the industry about the fairness

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<sup>113</sup> This can be translated as 'support for the publishing house'.

<sup>114</sup> As part of the application publishers need to submit their programme for the following year, proof of at least three years of publishing activity in the relevant fields and demonstrate professionalism in working as a publishing house as well as have a programme of high quality. An overview of the publishers' interviewed that receive subsidies and the funding sums can be found in Appendix 4.

of the system. Most interviewees who do not receive funding voiced criticism in regards to which titles receive funding, the criteria used to determine funding worthiness and the non-transparency of the system as well as giving the wrong economic incentives to publishers as publishing books that the public wants to buy becomes less of a priority for funded publishers:

The idea is nevertheless controversial as funding always means that the publishers who receive it do so at the expense of others who do not get it. [...] There are publishers who receive six figure sums from which one can live quite comfortably. You then do not need to sell books anymore. You see I don't get it otherwise I wouldn't be so cynical. (Publisher I)

We don't get subsidies because we don't make the literature that the commission who makes the decision wants to see. This is unfair sometimes. [...] We publish some non-fiction that we think is as worthy of support as some of the literature. [...] This also encourages publishers to publish literature and use the money to internally subsidise non-fiction products. (Publisher F)

If you know where to look then you realize how troubling the system is because the board members of the Publishers Association grant themselves six figure subventions. Some of those publishing houses wouldn't survive a month without this money. And this is distortion of competition. [...] They change the rules all the time as well which means it is not very transparent who gets funding for what. [...] And this is how you can ruin a whole sector. (Publisher N)

Overall some questions remain: does the funding situation in Austria encourage inertia among publishers as they rely on funding and do not need to be innovative to survive? Does the government provide the wrong incentives or is the funding necessary for the survival of the Austrian literary genre? The funding situations seems questionable in the regard, however, that the awarding process is non-transparent with a concentration of decision power in the hands of the publishers who are being funded. Furthermore letting funding bodies decide about which publishing house is worthy of subsidies is problematic against the background of potential censorship as well as funding only books with a message the government deems worthy of spreading.

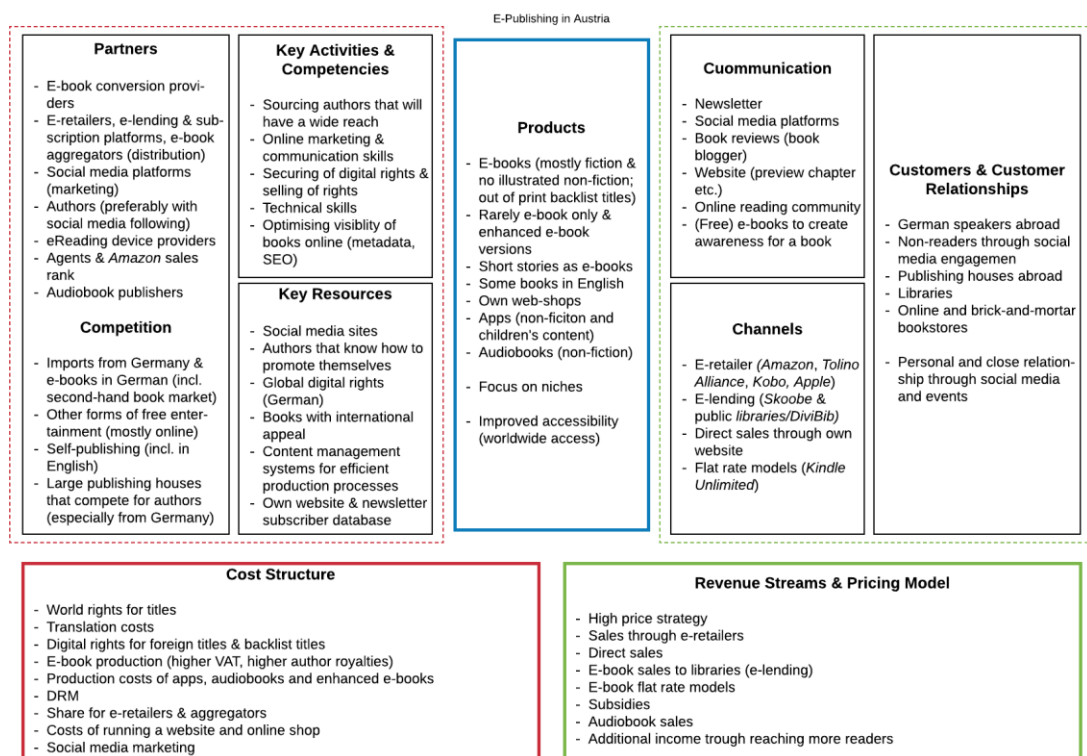
A field where more government involvement would be desirable is the formal education of publishing professionals and hence support for the publishing industry infrastructure rather than individual publishers. Currently no Austrian university offers a degree or courses in publishing or book studies. The *HVB* started offering advanced training in partnership with the *mediacampus frankfurt* called *mediakolleg* recently. This does, however, not compensate for the lack of formal education as the training is targeted towards professionals already working in the industry but does not support individuals wanting to

start a career in publishing or even to set up a publishing business themselves. As Publisher C who not long ago founded his own publishing company stated: “There is a lack in young people who dare to enter the industry and I think this is where one needs to start. [...] This is where politics need to provide incentives [...] and create a degree course in publishing.”.

#### V.1.1.5. Summary – E-Publishing Practices in Austria

To conclude, digitisation has had and continues to have an impact on the business practices of small publishing houses in Austria (*Figure V-1*). The most notable difference has been that most publishers now offer e-books and thus an infrastructure developed that supports the production and dissemination of digital content to a global readership.

*Figure V-1: E-Publishing Business Model in Austria*



In general the market for e-books in Austria is highly diverse. For some genres like literary and non-fiction e-books seem not to be of huge importance whereas general fiction sells well in digital form.<sup>115</sup> This can be attributed to the lack of interest from the German-speaking audience in Austrian specific content which means that the most obvious advantage of e-books, namely that they travel easily across national borders, plays no role for certain genres. Moreover, offering e-books means that many of the publishers interviewed have a different self-image today as the focus shifts away from the object sold

<sup>115</sup> Appendix 4 presents a more detailed break-down of e-book pricing and revenue from digital products.

towards the content and optimal ways to reach readers, thus turning publishing houses more often into content providers as the physical object loses its importance. Only a few older interviewees who have been in the publishing industry for a long time stressed that their focus remains on the book as an object. These are also the publishers that stated that digitisation has no impact on their long-term strategy.

The Austrian publishing industry is in general tight knit with the majority of publishing houses being legacy publishers in the sense that they have been founded many years ago and the directors of most publishing houses too have been working in the industry for a long time. It seems that this closed cosmos stifles innovation as mostly new entrants and professionals without a long background in publishing bring novelty to the industry. Publisher E argues that this can be attributed to them not carrying around a legacy and old ways of thinking.

In terms of generating enough income to survive two models are prevalent: small publishers either focus on publishing for Austria with state support or use digitisation and the internet to publish content that can be targeted at a global audience. Moreover, partnerships become more important in cases where publishers want to reach a wider audience. Especially cooperating with German publishers seems worthwhile as it helps Austrian publishers to access the wider German-speaking market more easily. Another advantage of publishing groups is that experimenting with digital product innovation becomes affordable.

Overall because of resource constraints small publishers focus on low cost innovation in areas such as marketing especially due to classical media losing their relevance more and more each year. Moreover, it is largely non-fiction publishers who seem to profit from digital advancements in the wider sense as well as publishers focusing on niches. Especially the *Amazon* sales rank created a more level field of play for small publishers as it is now easier for books published by small publishers to become bestsellers which in turn helps to prevent author migration to larger publishers abroad.

In terms of value creation, interviewees mostly outsource the e-book conversion and distribution to aggregators from Germany to concentrate on core activities (e.g. marketing, publicity, editorial, list building). Moreover, most interviewees are experimenting with selling books directly through their websites as a way of circumventing the limitations of the analogue book trade. Overall focusing on publishing quality over quantity seems to be worthwhile in addition to concentrating on finding an organisational structure and place within the industry network that prioritises efficiency.

Lastly, publishers are concerned that younger generations do not read much anymore in addition to having a different approach towards technology and how they access content.



This is the only implication of digitisation they see for their businesses. Thus instead of feeling a need to innovate most publishers expressed their wish for more government funding to be made available. Consequently, most of the respondents have not changed their long-term strategies as response to digitisation.

#### V.1.2. The Publishing Industry in Scotland

Scotland was reduced to a stateless nation when it joined a political union with England and Wales in 1707.<sup>116</sup> Nonetheless Scotland remained its own national region with a distinct history and culture visible among other things in a distinctive legal and educational system as well as separate professional bodies. According to McCleery (2009) “these institutions shaped and continue to shape a strong sense of Scottish distinctiveness reflected and fed by Scottish publishing.” (p.8). This sense of distinctiveness manifested itself in recent attempts to regain more control over Scottish affairs. Firstly with the establishment of a devolved Scottish Parliament after a referendum in 1997 and secondly with a bid to regain independence in 2014.<sup>117</sup>

Historically Scotland as part of the UK occupied a leading role in foreign policy as a fourth of the earth’s surface once belonged to the British Empire but also in advancing literature and science (Central Intelligence Agency, 2019b). Only in the 20<sup>th</sup> century started the UK’s power to decline as the Empire gradually dissolved. Nonetheless the UK remained outward facing in its foreign policy: the UK became a founding member of the EU and the NATO and is a permanent member of the UN Security Council. On the other hand Scotland as its own national region occupies rather a peripheral role, not only politically but also economically and in its location at the northern end of Europe (McCleery et al., 2008, p.89). With a population of 5.4 Mil. (as of 2017) Scotland is visibly smaller than its neighbour England with a population of 55.6 Mil. (Office for National Statistics, 2018) and of minor importance in a wider UK context that has a combined population of 65.1 Mio (est. July 2018) (Central Intelligence Agency, 2019b). At the same time with English being considered lingua franca as it is the most spoken language in the world (incl. second language speakers) Scotland is placed in an advantageous position when compared with other small nations that face restriction through their small linguistic area. However, Scotland is also home to 1.5 Mil. Scots (2011 census) and 59.000 Gaelic speakers which presents its own challenges in terms of inclusivity of the publishing industry (National

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<sup>116</sup> On the 1<sup>st</sup> of May 1707 the Acts of Union formally united England, Scotland and Wales as Great Britain.

<sup>117</sup> The re-established Scottish Parliament has control over many areas of domestic policy.

Records of Scotland, 2018). Hence McCleery (2009) concludes that within the community of English-speaking nations Scotland has been both “embattled minority culture and leading influence thanks to its imperial diaspora” (p.7).

Today in times of political uncertainty as the UK prepares to leave the EU (Brexit) books play an important role in strengthening a national identity according to Marion Sinclair, chief executive of *Publishing Scotland* (PS): “Just as important as its economic contribution is the way a nation’s book industry helps shape its identity.” (Garavelli, 2019). This is an ongoing struggle for Scots, as books have long been a means to preserve their identity and idea of nationhood denied politically (Kovač and Squires, 2014, pp.9-10). Thus Scotland recognizes the “ability of the arts to enhance national life and signal [its] distinctive identit[y] on the world stage” (McGowan, 1997, p.217).

#### V.1.2.1. Market Overview

Examining the size and state of the publishing industry in Scotland is difficult as ISBNs are issued UK-wide and not all Scottish publishers are members of *PS* which collects data on the Scottish publishing industry.<sup>118</sup> Consequently disaggregated data on the Scottish publishing sector is not readily available (Kovač and Squires, 2014, p.10). *PS* can therefore only estimate that around 250 books are being published in Scotland each month (Garavelli, 2019).

A comprehensive study about the state of the publishing sector in Scotland commissioned by *Creative Scotland* (CS) found that 105 publishers operated in Scotland in 2014 (130 in 2010) and employed 1.000 individuals (1.400 in 2010) with the centre of the industry being Edinburgh (Nordicity and Wylie, 2015, p.7). Moreover, according to *Nielsen BookScan*<sup>119</sup> the Scottish print book market in 2018 accounted for 8.4% of the UK book market in terms of books sold (16.3 Mil. copies were sold which equals a spending of 137.2 Mil. £). Overall 2018 saw an increase in book spending, value sales (+2.5%) and volume sales (+0.1%) from the previous year. Furthermore the value of the Scottish print book market has been growing slightly over the last years, not at least attributable to an increase in the average Recommended Retail Price (RPR) as well as the Average Selling Price (ASP).<sup>120</sup> Moreover, when comparing the value of publishers according to print book sales in Scotland, the largest Scottish publishers are *Birlinn* (ranked 16<sup>th</sup> in 2018

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<sup>118</sup> 61 publishers are currently members with a majority being small, independent publishers (Publishing Scotland, 2018).

<sup>119</sup> These figures, compiled from collecting point-of-sale data from bookstores, were presented at the *Publishing Scotland Conference* in February 2019.

<sup>120</sup> For some of the figures see Appendix 5. The data was provided by *Nielsen* and is based on their *BookScan*.

and up from 20<sup>th</sup> in 2016, with a market share in Scotland of 1%) and *Canongate* (ranked 20<sup>th</sup> in 2018).<sup>121</sup>

As Scottish publishers are making most of their sales outside Scotland, it is worth looking at the wider market as well (Nordicity and Wylie, 2015, p.60).<sup>122</sup> According to sales data collected by the *Publishers Association* (PA) for their Annual Yearbook<sup>123</sup> the total book sales in 2018 amounted to 3.6 billion pounds (-4% in comparison to 2017) with physical book sales totalling at 2.9 billion pounds (-5%) and digital sales at 656 million pounds (+5%). Finally the home market is still slightly larger than the export market in terms of sales (2bn£ compared to 1.6bn£ in 2017).

Overall further research into the publishing sector portrays the industry positively with an abundance of potential but with little opportunity for capitalisation (Literature Working Group, 2010). Hence McGowan (1997) calls the development of Scottish publishing since the 1970s a “fragile revival”. This evaluation was confirmed in a 2007 review which concluded that “publishing companies remain fragile, vulnerable to external takeover when flourishing and to disappearance when unsuccessful.” (McCleery et al., 2008, p.97). This refers to the competition Scottish publishers face from mostly London-based publishing groups, as this is where the centre of the UK publishing industry is located, that outperform them in terms of turnover, titles in print and full-time employees (ibid, p.89). McGowan (1997) compares the London centric publishing industry to Goliath, because it is “better capitalized, more prestigious and apparently offering greater exposure to authors in this age of worldwide exploitation of intellectual property” (p.216). As a result success can be “a double-edged sword” for Scottish publishers, McCleery (2015, p.167) argues, as authors nurtured in Scotland are most likely to sign with London based publishers due to higher advances and better national and international sales opportunities. On the other side the publishing industry in Scotland has been described as “small and incestuous, more cooperative than competitive” (McGowan, 1997, p.217) because of their economic constraints.

Nonetheless Scottish publishing, while interwoven with the wider UK industry, is also internationally connected due to transnational media groups dominating especially the English-speaking industry. Hence defining what Scottish publishing is can become a challenge and therefore McCleery (2009) distinguishes between publishers publishing

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<sup>121</sup> *Birlinn's* print sales value amounted to 1.4 Mio. £ in 2016 (Appendix 5).

<sup>122</sup> A PS survey among their members in 2013 found that less than a quarter of sales were in Scotland and 84% of members sold titles overseas.

<sup>123</sup> Figures are derived from the Sales Monitor, which collects physical and digital books sales of publishers that are estimated to account for 3/4<sup>th</sup> of total UK publisher sales. A one-off benchmarking year (2005) is used as a base to calculate a total for all UK publishers. The base total is periodically reassessed. In addition since 2000 sales figures from distributors and large publishers are collected twice yearly and since 2008 digital sales are also accounted for. Since 2014 the digital sales data is being split in UK and overseas sales and for 2018 self-published as well as titles published by *Amazon* have been included.

for Scotland (cultural nationalism) and those publishing *in* Scotland (p.9). The former are under threat to lose their independence through mergers and acquisitions from larger publishers and the latter heavily rely on markets outside Scotland. In recent years, however, Scottish publishers found international success in exploiting a Scottish aura, as Publisher i described:

What I found is that London matters only proportionally. We want people to walk through Waterstones in London and [...] see our books. [...] That is credibility. The challenge at the start by being here was credibility and logistics and then contacts. [O]nce we got past the credibility aspect and weren't just a curious wee thing, then the highland aura would appear around us. [...] So we are hoping we can survive.

This has been facilitated largely by the spread of digital technologies.

Most publishers interviewed have embraced the international opportunities publishing in English offer them.

The longer we're in business the more international we are, because ultimately the overtly Scottish content is problematic, because we're a country of 5 million that isn't really known for its literary output, where a kind of literary sensibility hasn't penetrated the collective British consciousness other than crime and drugs. [...] Scottish crime is acceptable within the culture. [...] That's the representation of Scottish culture that people are interested in from a literary point of view and they are less interested in people in Edinburgh or Glasgow [...] and their inner lives. Although we do publish that stuff, we know we're unlikely to make any money. We do it consciously.  
(Publisher d)

This also indicates that in terms of Scottish literature publishers are relying either on external funding or need commercial successes to cross-finance those books. McCleery (2009), therefore, argues that market conditions in Scotland make small publishers risk averse in their publishing choices as they cannot afford to publish many titles that do not sell well.

#### V.1.2.2. The State of E-Publishing

The size of the e-publishing market in Scotland is hard to determine mostly due to the lack of reliable data on self-publishing activities and purchases. *Nielsen* can only collect digital sales figures that participating publishers share. To remedy those shortcomings and to portrait a more veridical picture of the e-publishing industry in the UK, *Nielsen* conducts a monthly survey among 3.000 book buyers about their print and digital purchases. This survey data (*Nielsen Books & Consumers*) shows that for the period from 2012 till 2016 the volume of digital purchases (e-books, apps and audio) increased, while the overall number of book purchases remained fairly stable, meaning that digital now

accounts for one third of the purchases from Scottish consumers (Appendix 5). This means that print has in parts been substituted by digital purchases but has, overall, not led to market growth and more book purchases. More-over when looking at the whole UK market consumer e-book sales decreased by 2% (251m£) in comparison to 2017, whereas audiobooks saw an increase in sales of 43% (69m£) (The Publishers Association, 2019). In general digital formats accounted for 18% of the total net invoiced value of books (19% home market and 16% export market) with fiction being much more popular than non-fiction and children's books in digital formats (35%, 12% and 3% of e-books sold). Finally *Nielsen* estimates that the volume share of self-publishing (incl. Amazon) among e-book sales was 22% in 2016 and the value of self-published e-books among all e-book sales in the UK was 13% due to mostly low price points (Bohme, 2017).<sup>124</sup> Moreover, convergence trends were noticeable in *Nielsen's* data, as the physical and digital realm are gradually influencing each other. For example books authored by well-known 'YouTubers' are selling well and online 'influencers' such as *Zoella* with her book club have increasingly a positive impact on book sales (Woodfield, 2017).

In general, e-retailers account now for the majority of book sales (both in volume and value), selling more books than bookshops and supermarkets combined (Bohme, 2017). Especially *Amazon* dominates the online market of both e-book and print book sales (94% market share in e-book distribution and 93% market share in physical book distribution among e-retailers) (Nordicity and Wylie, 2015, p.71). Noteworthy is, however, that brick-and-mortar bookshops still sell more print books (especially adult fiction) than e-retailers.

In Scotland too, *Amazon* is the driving force behind innovation and developments in e-publishing. The interviewees stated that at least 90% of their e-books are sold through the e-retailing platform with the share increasing every year and, as Publisher i argues, this can mostly be attributed to convenience for readers: "You serve readers. *Amazon* does this particularly well. They really got things worked out right at the start with their own software and hardware and managed not to call this a monopoly. And then they got the pricing exactly right as well.". *Amazon* used the first mover advantage (FMA) to set industry standards tying their customers to their format across many different devices. Most interviewees see this critically as large discounts (usually around 60%) make it challenging to make a profit from titles sold through the platform. *Amazon's* impact on the amount readers are willing to spend on books presents an additional challenge for publishers as staying profitable through book sales becomes increasingly hard to accomplish according to interviewees. "I don't like the way they operate, that whole thing

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<sup>124</sup> The average price for e-books in 2016 was 3.50£.

of trying to sell cheaper than anybody else. It makes people expect to get things almost for free.” (Publisher l).

Furthermore audiobooks are increasingly popular in the UK (sales rose 25% from 2017 to £31 Mil. in 2018), with *Amazon* again comprising the dominant position in the market (The Publishers Association, 2019). With *Audible Amazon* established the market standard for online access to audiobooks, moreover, consolidating the market.

Overall, as e-book sales growth is slowing down the enthusiasm for digital innovation amongst publishers in Scotland is subsiding. “I guess to some extent I'm taking digitisation for granted now. It's not presenting many new things now and it hasn't for a while.” (Publisher i). The lack of innovation was also attributed to the smallness of publishing businesses:

We can put a lot of effort into something that is really good, but it won't work unless we put a lot more resources into distribution and marketing. That puts that sort of research and development much more into the area of *Penguin Random House* [...]. We are much more imaginative, because you have to go and do these things, but we can't throw millions of pounds that we don't have into it. (Publisher i)

Furthermore interviewees also stated that their smallness constrains them in adopting digital strategies in general: “If you don't have the time to even create an e-book you're not going to have the time to promote it.” (Publisher k). It can be argued that this attitude towards innovation has something to do with the mind-set of the interviewees themselves as new entrants to the market, the ones that are not held back by established structures, find ways to innovate.

Publishing is a very conservative industry. We found that and to be honest that was one of the things we try to change about it because it is a global problem and happens in the media industry in general. People just didn't want to engage with the way content was presented, they want to engage with the way things were changing and we did see that. That's why we left journalism because journalism couldn't cope with it. And we thought, 'Let's take our lessons into another industry where we can do something on our own and make a difference'. (Publisher a)

I think for a lot of publishers of a certain size it's not something they can see being beneficial for them or their business or a worthwhile investment, which is a shame. I was talking to *Publishing Scotland's* CEO about funds if you go for an investment and I asked her, 'Do none of your other members ask you for funds? Why does no one talk about digital development during the *Publishing Scotland Conference*? Why is no one talking about these funds and how people can use them and how to get them?'. And she said that there is no interest. (Publisher b)

It seems as if most interviewees have accepted the market conditions and instead of using the opportunities to be flexible as well as exploit their intellectual property in new ways try to come to terms with the dominance of transnational corporations.

I think that globalisation is sort of allied to digitisation. It means almost by definition that we are dealing with fewer entities which are becoming much bigger. And therefore the smaller companies are losing control. [...] For example, simply because they are being told, not asked, to give a specific discount to supplier. If you take that to its logical conclusion there will be fewer and fewer companies. Those that remain will just be reacting to what they have to do. [...] All we can do as publishers at the moment is work within the structure that we are faced with particularly small companies like ours. (Publisher k)

This feeling of powerlessness was also expressed in regard to new platforms and services emerging all the time, competing for attention, money and time of consumers, due to lower market entry barriers. Furthermore the growing popularity of devices like smartphones in combination with easy and affordable access to media are the biggest threats for publishing as this can be linked to a decline in time spend reading.

#### V.1.2.3. Business Models and Innovation

##### Value Proposition

###### *(1) Products*

All publishers interviewed offer digital products. The most common products are e-books which, depending on the focus of publishing, are produced simultaneously with the print edition. Genres lending themselves particularly well for e-book conversion are text based popular fiction thanks to low production costs whereas illustrated titles and those with graphical material seem to be less suitable to generate enough revenue from sales to be worth the costs. Other genres not popular enough to warrant lots of investment in developing electronic versions are books for very young children and non-fiction titles targeted at an older and more conservative market as well as illustrated non-fiction. "There's no demand for illustrated non-fiction as e-book. [...] They're generally bought as gifts and you can't wrap an e-book." (Publisher d). Thus the deciding factor for or against e-book production is mostly format and not so much content. Interviewees, moreover, stressed that size does matter here once again as larger publishing companies more likely would have the necessary resources to invest in conversions of titles that will be less successful commercially. Besides publishers of illustrated books struggled with the different devices currently available and how digital versions are displayed on them. Interviewees named this as another reason why they are no longer producing digital versions of illustrated

text. These device issues also occur when producing enhanced e-books as not all devices can display the books in the same quality, especially older ones.

In contrast interviewees argued that backlist conversion can be a chance to create visually more appealing versions of old books:

We do different covers sometimes for e-books, particularly for older books [...] And just looking at some of the backlist covers of the print books, we are probably never going to reprint these books, so that cover will never change but you want something that is much more striking, that works at a small size that is a bit more iconic for an e-book cover. (Publisher c)

This furthermore indicates that design elements such as covers are very important online as well to stand out among competing titles with the added challenge of different screen sizes.

Most interviewees have been and are experimenting with electronic offerings such as free e-books and additional content on their websites, e-book only versions and e-book bundles. Overall e-book only offerings are most popular with non-fiction publishers. A positive feature of those offerings is that publishers do not have to rely on other parties in the value chain like printers. Publisher a especially sees digital as the way to minimise the dependence on partners as main advantage especially because it reduces the chances for things to go wrong. "I think that is why we are moving more back towards digital publishing. We have projects this year which are e-book only." (Publisher a). Another added benefit is that digital publishing is an easy way to experiment with new products that allow for stories to be told in new ways.

One of the things that is really cool about e-books is that you can place images at strategic points in the book. We published a book a few years ago and the images were amazing, so we had this colour plate section [...], which is just stabled into the middle [...] but when we did the e-book, we could place the images beside the stories that the author was telling. (Publisher a)

Some participants still encounter copyright issues occasionally that hamper the full exploitation of the potential of some content. Especially obtaining digital rights for sheet music and music recordings seems to be still challenging. In general the digital format offers many new opportunities for IP exploitation, however. Publisher I emphasised how digital and print products inspire each other and thus creating new opportunities for product innovation.



We started to publish short downloads as well. Some of them are parts of books because some of the books are easy to break up into sections, so you can sell something on a certain topic. Other downloads are original ones because we have a very specific sort of customer [...]. So we produce a lot of stuff that is aimed at them and those downloads sell very well. [...] In fact, we are just producing our first printed book of some of the downloads that are selling well; the short downloads which started life in digital form.

These enhancing effects are visible especially when looking at non-fiction publishers and when products address specific needs of their readers.

Moreover, interactive and enhanced e-books, are not a very common product of Scottish publishers but some interviewees were open to the idea of producing interactive non-fiction books in the future. The largest impediment for those e-books was seen in the high production costs. Especially when interviewees are producing digital content in-house the struggle to comply with different requirements for the multitude of available devices seems to be the highest barrier for those products. For others enhancing e-books also means the blurring of lines between marketing initiatives and additional content for readers: "We shot a series of videos to promote the book before it came out. The videos are great and they worked very well on *YouTube* but we embedded them in the e-book as well." (Publisher a). Furthermore one interviewee is currently exploring the options for augmented children's books and learning material. In order to keep it affordable for smaller publishers, Publisher j emphasises the importance of using already existing content for augmentation (e.g. *YouTube* videos) or collaborating with other art forms (e.g. theatre groups). Thus Publisher j focuses on using technology to add something valuable to the product instead of producing digital content as a means in itself and thereby improves the products themselves.

It's keeping the book as being the vital part. We are not replacing the book, we are using the book. And that is how I see things developing. I am really not interested in ePubs and Mobis. It's just delivering the book in a different form. You could do it with every book but it's not adding anything to the party in my opinion.

The growing popularity of audio content has furthermore spurred the growth of the podcast market with lots of content available at no cost for consumers. Hence non-fiction Publisher a utilises this channel to offer an additional service to their customers while at the same time drawing attention to books being published and engaging with individuals in a new way.

It's a great way to speak to 70.000 [subscribers] every week [...]. So as well as it being its own thing it has definitely become what we wanted, what we thought it's

going to be initially, which is a marketing tool. But it's not [only] a marketing tool because you are getting great content. It's a way for us to reach a lot of people very quickly.

Besides audiobook sales being on the rise in the UK this product category appears not to be of much importance for most interviewees. The size of small publishing houses seems to limit their options for innovation in the audiobook market as small publishers cannot dedicate much time to producing audiobooks. Hence they sell their rights to *Audible* at the moment. Lastly apart from those offerings publishers have experimented with apps in the past but, as Publisher h stated, the market seems to have moved away from this, possibly due to publishers starting to charge for apps and customers being reluctant to pay.

## *(2) Customers and Customer Relationships*

Digitisation and the spread of the internet help the interviewees to expand their audience worldwide and especially outside their core English-speaking market. This is further encouraged by the increase in English proficiency among non-native speakers. Nevertheless the main market for most interviewees remains the UK. Especially children's book publishers', however, profit from the global importance of the English language (e.g. parents wanting that their children learn English) in combination with easier access to customers abroad.

You get grandparents buying books for their grandchildren who live in another part of the world. [...] There is a lot more diversity than you would think and because English is largely a *lingua franca* it often gets bought as the default. (Publisher c)

Non-fiction publishers too reported that they sell books not only to a British audience but also to a wider English-speaking audience all over the world. Other publishers whose main audience is in Scotland attribute that to their lack of resources which restricts them in their ability to publish more books that might attract a wider readership. Whereas niches are mostly seen as something positive because very specific audiences can be addressed more easily, it can at the same time limit publishers' success due to the finite number of potential customers, as was stressed by Publisher f for the Scottish case: "We're here in Scotland and most of our books have a Scottish connection of some sort and Scotland is a very small market." (Publisher f). Nevertheless "although we have some Scottish books, they may have a Scottish core, but they do travel." (Publisher k).

Furthermore backlist digitisation can be a way to reach new readers and especially abroad thanks to them being easier findable and accessible online. Moreover, English originals in e-book form seem to become popular in countries where a translation is

available according to Publisher d. Besides publishers who publish authors from abroad notice that this helps them sell books into the countries of origin of those authors. And selling titles abroad is of course much easier and cheaper to accomplish with e-books as well as e-commerce sites (incl. publishers' websites) that ship books worldwide.

Even though digitisation allows for books to be visible universally, interviewees still do not know exactly where their books are being sold, as Publisher k pointed out:

The way e-books work and the fact that you can have a platform anywhere which will sell to the world. [...] But market penetration is something which is pretty grey. I mean, it's difficult to know. We don't know where our sales are going.

Hence the publishing industry is not fully taking advantage of the opportunities of digitisation to learn more about its customers and to target them better in the future.

Furthermore some interviewees emphasised the advantage of e-books for disabled people (e.g. text-to-speech function) and thus improve accessibility. This can also be true for individuals not confident enough in their reading abilities and for older people who can now increase the font size according to their requirements. Moreover, Publisher i hopes to reach additional readers through their e-book offerings in Gaelic. Even though the number of Gaelic speakers is still low, making a wider variety of books available in digital form might help to reach additional readers. Especially when targeting those who want to improve their reading skills thanks to text-to-speech functions.

Lastly all interviewees stressed the significance of social media and special interest websites to approach prospective customers. It does depend on the book, however, how well those channels work in fostering a closer relationship with readers as not all audiences are active online. Nevertheless Publisher d emphasised the importance of the new publisher-reader relationship that emerged due to online communication:

Social media doesn't sell books, but it does maintain a relationship. And effectively the big change since 2011 is that consumers now expect to have a social media relationship with the brands that they like and champion. Doesn't necessarily mean that they are going to spend any more money, but they expect it and if you don't do it, you disappear from the top of the mind very quickly.

Moreover, involving authors in this is increasingly important: "It really depends on the authors themselves. I would say it's about honest relationships and it's not all one way." (Publisher i).

Besides interviewees are aware that today's children grow up with technology and that this will have an impact on how they are going to interact and access content in the future. This also means that publishers publishing for a younger audience will be more

likely to tap into those interests in technology and preference for digital products by creating such content as well as providing convenient online shopping facilities.

### (3) Channels

Even though the established analogue channels are still hugely important for the distribution of books most publishers stressed the increasing importance of online channels, especially *Amazon*, for their business.

The biggest opportunity for them is “to be able to reach readers anywhere in the world who might have an interest. Either because it’s for example Scottish books, Scottish readers who are in different parts of the world and would never get the hard copy or a very niche thing that people search for specifically. (Publisher h)

However, with title outputs increasing, the online space is becoming crowded which makes it hard to stand out, as Publisher c argued.

*Amazon* is by far the most dominant sales channel for e-books of the publishers interviewed but the market share of the e-retailer for the physical copies is also increasing. Publisher i sees the main reason for *Amazon*’s popularity with book buyers in convenience of the shopping experience. The powerful position of *Amazon* also means that they do not have to consider other players in the value network and how their actions affect others as Publisher e argued: “[T]hey are a bit capricious and they could kill us. They wouldn’t even notice. We would be a rounding error in their business. They couldn’t care less.”. Overall most publishers interviewed have a difficult relationship with *Amazon*. This is not only because of the high discounts *Amazon* demands due to their market dominance that makes it almost impossible for many small publishers to generate enough income from sales, but also because *Amazon* does not prioritise publishers in their working relationship. This means that publishers reported running into problems when they wanted to change information on their *Amazon* pages for example. Hence some publishers try to avoid selling books through *Amazon*. This does not prevent *Amazon*, however, from sourcing the books from distributors like *BookSource*, which means that avoiding the e-commerce platform is almost impossible, at least for physical copies. As most publishers do not supply *Amazon* directly with their physical copies it is hard to tell how large the share of the online retailer is exactly. Interviewees estimate, however, that a growing proportion of their sales came from *Amazon*. E-books are the only products where publishers have a bit more control over the routes to market and where it is possible to circumvent *Amazon*.

Moreover, Publisher i encountered difficulties when they wanted to sell their Gaelic e-books on *Amazon* due to the company’s discriminatory policy when it comes to minority

languages. Gaelic was one of the languages not supported by *Amazon*, thus restricting the publishers from selling their e-books there. As *Amazon* is the most important sales channel for e-books, this has major negative implications for the sales and income of the aforementioned publisher. “But we eventually persuaded them [...] to [sell those]. There are some people at *Amazon* who are sympathetic and helpful to this company more than the language.” (Publisher i).

Besides *Amazon* the interviewees distributed their e-books through *Apple*, *Kobo*, *Barnes & Noble* and *Google*, with *Apple* being the second most popular online shop followed by *Google* and *Kobo*. *Amazon*'s market share, however, is around 90% for most publishers interviewed. Due to the market dominance of *Amazon* in e-book retailing the interviewees do not care much about where else the e-books are distributed to, especially when they outsource the e-book distribution to an e-book aggregator.

Apart from online retailers most interviewees also sell content directly via their websites with the share growing year after year. For Publisher g those sales even account for the majority of overall sales. Direct sales are less important for e-books, however, as the *Kindle* app is the dominant point of sale for the vast majority of customers due to *Kindle* having entered the e-book market first and thus profits from the FMA.

They use the *Kindle* app. [...] And I think a lot of people wouldn't know how to put a PDF onto their tablet. It's just all done through the app. So for the hassle of putting our e-books up there [...] it's not worth it. What we'd probably look to do is a 'buy the e-book' and a link directly to *Kindle* for that. But most people know how to do it. If they want the e-book they go to *Amazon* and we don't want to encourage people to buy e-books from *Amazon* because we make more money from them buying direct from our website. (Publisher d)

Publisher l allows customers to download all three e-book formats (ePub, PDF and mobi) together for the same price when they purchase an e-book from their website as an incentive to buy from them directly as this leads to higher margins and thus more revenue. Publisher a, moreover, explained that when choosing authors wisely it can encourage direct sales of print and e-books as they have experienced when publishing a book by two authors with a large social media following.

They both write for leading gaming websites. So, we thought well that's direct access to that kind of niche audience and maybe this is the type of title with which we could bypass the usual apparatus and just go straight to people that want to buy the book.

Selling books directly creates more work, however, especially when selling print books without the support of a distributor as the shipping needs to be taken care of in-house.

That generated quick turnover. It generated quick money and the margin was great but it was unsustainable for such a small company. But it embedded this idea of 'if you can crack direct sales then the margin is much, much better'. (Publisher a)

Publisher g stated that the only reason why they ship direct sales themselves is because of tight margins which do not allow to outsource the distribution part. Hence direct sales of physical copies are only viable for publishers with a manageable number of books in stock as Publisher i argues: "We have something like 60 or 70.000 books in stores just now. Where would I put them here?".

A well-functioning website is a requirement to make direct sales work, as Publisher j pointed out, and Publisher h added that the order fulfilment time plays an important role too as customers are used to next-day delivery service mainly thanks to *Amazon*. This is the reason Publisher h stopped selling directly as it was impossible to compete with this sales infrastructure.

Of course the margins were very good [...] but actually the work of fulfilling it was becoming a distraction from our office job and it wasn't enough to justify it. [...] So when we changed our website three years ago we stopped doing it because it wasn't enough business to make any difference.

Other channels some of the interviewees use for content distribution are *Audible* for audiobooks and *Kindle Unlimited* as well as public libraries for e-lending. Those channels play not a big role in terms of market share and way of generating revenue and therefore most publishers use an aggregator to supply them. In addition some publishers also signed up for PoD through services like the *Espresso Book Machine* but again this has not played a role yet in generating additional income.

#### (4) Communication

The communication strategy of publishers interviewed now encompasses a mix of online and offline measures depending on the readership and their preferences as was emphasised by Publisher c:

The customer base expands because people can find us by searching online [...] but we also still produce a physical catalogue. We know who our customers for these kinds of books are. So, we still mail a lot of them physically through the post and we do direct mail leaflets and very targeted things. Social media is part of that but especially for a slightly older, slightly more conservative market of our non-fiction, they are not online in the quantity, they don't participate in social media. Certainly not to the volume that the younger generations do. So it's all about knowing your audience.

Generally interviewees stated that e-books can be promoted more easily online as this is where the audience attuned to digital looks for content. Online marketing is furthermore crucial to promote sales internationally as this seems to be a straightforward way “to have your books put up in front of people” (Publisher d). Moreover, Publisher a had success in reaching an international audience which resulted in foreign rights deals by disseminating extracts of one of their books to an international special interest website that fit the topic of their book:

I don't know if we can claim an act of genius that we saw that this was going to happen, but we didn't want to get into different languages and they took these extracts that we gave them and translated them [...]. So it popped up in all these different languages which got on the radar of different foreign publishers. So unprompted we started getting lots of offers to buy the rights of the book from different countries.

Moreover, they were successful in reaching readers via newspapers as well (on- and offline) by giving away free content, e.g. excerpts from books. Another channel to give content away for free and through that creating awareness for a book among potential readers are social media channels such as *Twitter*.

There are so many great quotes in the book. So about three or four months before the book came out, we started this hashtag [and every] Thursday we would share two or three quotes from the book and [...] it was a huge kind of viral success. [...] It kind of existed independently of the book. It became a thing and that's a lot of awareness. That was huge for us because you are not trying to say 'Buy our book, buy our book, buy our book' you just try to put all the stuff out there so that the next time that person is looking for a book, wanders into a bookshop or is looking on *Amazon* or elsewhere then remembers it. (Publisher a)

Overall, Publisher a experienced that giving away content from books for free is not cannibalising the sales but rather a great way to foster awareness and thus reach many potential customers. Furthermore it is a very effective way to foster brand loyalty among readers. “We've occasionally given out a shorter download free as a way of getting new people to register for the newsletter.” (Publisher l). Overall, however, publishers see the most impact of communicating with potential customers online when they offer some form of service (e.g. free information on publisher's website in form of blog posts, quotes, additional content related to the topic of a book) instead of just sending out promotional messages. Especially offering those services on a publisher's websites has positive sales effects as readers become aware of the full range of offerings. Thus the look and user-friendliness of the website becomes increasingly important. It is crucial to note that some publishers expressed difficulties experimenting with cheap or free online content

as a form of promotion, as they do not have the time and resources to dedicate to experimenting with those measures, as they have to focus on their core business of publishing printed books. As Publisher a and I are very small too it seems rather a question of priorities, however, and what publishers see as most beneficial for their business: publishing more books or improve the marketing of the ones you have.

Moreover, Publisher k stressed that it is much easier now to direct your message to the appropriate audience thanks to online channels:

There is more contact with the end customer than there used to be. We always used to do mailings and things like that but apart from our own internal list of customers, direct sale customers, it was [...] difficult to reach people. We had to do it through an intermediary which might have been a special interest group or an association and society [...] but you don't necessarily get to the right person. Whereas now by spending time and money you can get to almost anyone.

Furthermore social media channels allow publishers to share special discounts (e.g. on *Kindle*) quickly, which is especially effective when book bloggers are part of the overall discussion.

Every weekend the price is reduced on a Friday and comes back to the real price on a Monday. That way our customers look out for it. [...] We use it to promote our backlist and recently I have started to use it to promote new titles as well. [...] And quite often what I do is I incorporate this with a blog tour. [...] The book will be featured every day on a new blog and they'll also promote the *Kindle* promotion price. We really notice a spike in sales when we do that. (Publisher i)

In general price promotions on online retail sites work very well for most interviewees, especially *Amazon* sales rankings can be improved that way, which in turn leads to further sales.

The challenge with general promotions on online retail sites is that the retailers pick the titles they will promote after the publishers have put forward the titles they want to promote and publishers have in general not much control over promotion measures.

The big difference with those now is that when we used to do those five years ago if you got a book into a promotion it could make a really big difference. You could sell a significant number of copies in a relatively short period of time because the market wasn't as crowded back then. Whereas now if we get a book into promotion, sometimes we hardly see any difference in the sales because there are so many books and so many promotions and they don't stand out anymore. And I think that is a real problem for the online retailers [...] and it is a real problem for publishers as well. (Publisher c)



Hence instead of those promotions publishers focus on communicating better with their readers online.

We do loads of social media. This is [...] completely different from price promotions. Social media is about talking to your customers. About being in touch with them, and because we are a niche publisher we have always been in really close contact with our customers. The fact that we do that online now more than through printed type things is a reflection of digitisation. But that has always been really important to us. (Publisher c)

Moreover, Publisher a created a podcast as a marketing tool for their books but it quickly became “something in itself”, as it helps them not only discuss content of books in depth but also as to create a close relationship with their listeners and customers. They find this communication channel particularly helpful to encourage individuals to buy books directly from their website by explaining how this helps their business.

Another way of communicating with a wider readership is through online communities like *Goodreads*. This is especially advantageous for fiction publishers who can utilise the website to give away e-books for free and thus improve visibility for them online as well as encourage readers to enter discussions about the books. “They organize it all. And maybe 100 people go for those five books. And even if only five people get it, that is 95 people who have seen that book that might not have seen it before.” (Publisher i). This seems to be an advantage for smaller publishers, as it is not time consuming to organise and thus requires little resources. Furthermore newsletters are becoming increasingly important for publishers to inform readers of new offerings, generate additional sales and foster a broader understanding of the publishing house itself. “I find that helps a lot because there is always a big response after a newsletter has gone out. Over the next few days people come to the website and order things.” (Publisher I).

Furthermore the author’s involvement in promoting their books and communicating with readers online has a positive impact on the sales of a book. Hence publishers encourage them to engage more online. This seems especially important for small publishers with little resources to spend on advertisement in traditional channels.

In general all publishers are working on finding the right mixture between analogue and digital channels to reach a wider audience and communicate their offerings to them.

[The book has] been on the radio, there was a full-page article in *The Guardian*. We just got [that up on] *Facebook* [...]. The blog tours and our website are helping us to create a presence as large as we can manage. (Publisher i)

The combination of different channels is also important because of the increasing visibility issues online as well as not being able to reach all audiences via digital marketing.

I think it's very genre specific how well you can do with digital marketing. [...] I would say as a general rule it's become much harder than it was a few years ago to make an impact unless you're spending a lot of money advertising in those channels. (Publisher h)

Overall publishers emphasise that it is a learning process to find the appropriate way to communicate with readers online and how to effectively mix online and offline marketing channels.

Lastly apart from using online channels to communicate product offerings to readers, publishers use them to foster a closer relationship with readers overall, independent from the products themselves.

I think part of the story that we have told is about being independent content producers and as part of that we are having a constant conversation if you want to hear from us. We blog just about the business, about what has happened this week [...] because we only produce two or three books a year and then it's quiet for quite a long period of time. So, we are always looking for ways to try and connect more. [...] It's part of the conversation that we are having all the time. It's our lives really, but it actually had quite a reaction. (Publisher a)

### Revenue Model

As publishers have been incorporating more digital products into their product portfolios they are consequently thinking about how this affects their revenue. As digital content is mostly priced at the lower end of the scale, publishers need to focus on selling high volumes to recoup the additional costs. However, selling enough copies of digital titles to be economically viable can be a challenge for smaller publishers, hence interviewees have expressed the need to adapt their strategies to accommodate the lower prices the market asks for. "People don't pay much for them, so it's actually harder to make a profit. This is why we are now going to try to produce more books. In fact, we are just producing our first printed book of some of the downloads that are selling well." (Publisher I). The price points for printed books tend to be higher, so focusing on selling more of the higher priced items seems like a logical step to cross finance the digital publishing business. Moreover, as the revenue from print products still pays for digital innovation in the case of most interviewees, publishers feel the pressure to sell more books each year. A sense of urgency was felt among the interviewees in the light of changing consumer behaviour and a possible further decline in print customers in the future. To better understand

where opportunities for new revenue streams lie the following discusses changes in the cost and income structure of publishing houses related to e-publishing.

### *(1) Cost Structure*

Producing digital copies of their products comes with certain costs like for the conversion and, as Publisher e argues, and the same time some costs fall away like for printing and storing the physical copies: “you have all the costs of developing a project, developing an author, developing a book to the point where you can make a digital version. So those costs don't go away.”

As customers are aware that publishers save the printing and shipping costs, it means that e-books need to be priced lower as the physical version, especially genre fiction titles that face strong competition from self-published titles. Thus generating enough revenue from those products can be challenging for some publishers.

It's so rare to sell anything above 1.99£. Just if it's a new release and people really want it, then you can get 7£ or 8£ for a high-profile book but the majority of e-book sales are of a 0.99£ type of price. (Publisher h)

Nonetheless e-publishing is seen as much more cost efficient by Publisher a and e, who appreciate that those products do not require complicated physical fulfilment.

The cost base is much lower. We are doing all our numbers [...] at the start of the year and you look at the digital projects, expenditure and income and the accountant is excited [...] because not thousands and thousands have gone out of the door in hope and expectation that you get some of it back in six, nine, twelve months. This is something that has a low-cost base, a pretty high chance of success and a chance of a decent profit margin as well. (Publisher a)

Hence e-publishing seems to be an excellent way for non-fiction publishers to be creative with their content as well as act to soften the pressure of the print trade to recoup the investments.

Publishing is a capital-intensive business. You need to have enough funds [...] because it's a long-time scale and you have to invest so much before you get to selling a book. You've got to have capital. And that can be very difficult. (Publisher k)

Besides most interviewees stated that selling online has become more challenging over the years due to the marketplace becoming more crowded and thus more expensive. Especially the effectiveness of online promotions is decreasing, as books have a harder time standing out. This also means that the costs of online promotions are increasing because the platforms have developed and have learned how to monetize what they

offer. Hence it remains questionable if those investments can be recouped through additional sales.

Moreover, the online distribution is organised similar to the physical book trade which means that aggregators for e-books need to be paid as well as distributors if selling physical copies directly via publishers' websites. It is a strategic decision whether this is worth the money as Publisher a demonstrates that it can be cost efficient to upload the files to the different retailers themselves. It seems that this is only economically viable when not too many new titles are published each year.

Publisher a conclude that they are preferring e-book sales over print sales as e-books have a higher return on investment. After paying for printing, distribution, the retail share and for marketing as well as royalties they earn around 2-3£ from a print book with a retail price of 10£ which they describe as "crushing". Thus the profit margin is only around 25% compared to 50% when selling a copy of an e-book. Hence they argue that they "love e-book revenue. And the differential there is that there are no logistics involved in it. We don't have to worry about printing and boxes and distributors and customers. It's just a file people download. Wonderful." (Publisher a).

In cases where publishers are selling their products also directly via their websites interviewees stressed the importance of investing into an e-commerce centric website that is easy to use. These investments are undertaken in the hope to lessen the pressure of having to grant high discounts to online retailers as this calculation of Publisher d demonstrates:

*Amazon* take 60 percent and we have to pay for the carriage on top of that. So the margin again is small. *Amazon* is there, in case you have a book that breaks through it gets a lot of publicity. I mean it's perfect, you lose a lot of money, you give up a lot of revenue because they're taking such a big cut but at the same time it hoovers up, it's the easy place for people to go. But we try and, whenever we're promoting stuff, whenever an author gets a book out, we always remind them to direct people to our website not to *Amazon*. For that hand selling stuff.

Lastly publishing Gaelic books also comes with lots of costs that are not easy to recoup according to Publisher i: "we are not really able to make enough money with it to justify removing resource from making this company financially secure. And that's why we are moving out of it." (Publisher i). Even though digital printing has significantly reduced the costs for short print runs and they are now able to sell the books on *Amazon* (incl. e-book versions) Publisher i still struggles to make this side of the business break even.

## (2) Revenue Streams

The most important addition to publishers' revenue streams is of course additional income from selling digital content. "E-books are a very, very important source of income and we make good money from them." (Publisher d). This has been largely motivated by *Amazon's* effort to promote its reading device while also offering content for those devices through their platform. However, it has become harder for consumer book publishers to sell e-books due to a change in consumer behaviour, as Publisher d argues. The "consumer has grown up" whereas in the past readers were not particularly picky when buying e-books as sales were mainly motivated by the low prices. With an increase in titles available and thus more choice readers are now more careful when it comes to choosing reading material and low prices alone no longer guarantee sales. "The really voracious readers are more selective and they're more driven by what they're interested in rather than necessarily just seeing that 99p bullshit and buying that."

Moreover, it has also become harder for publishers to be visible on *Amazon* due to the abundance of content available there but also because *Amazon* is more selective when it comes to promoting titles, whereas before

if you got a daily deal or you got an editor's pick you could sell 2 or 3.000 copies in one day. A pound where you're maybe making 70p, 65p. But none the less it's volume. And off the back of that you potentially generate more sales. (Publisher d)

Nevertheless, e-books still create profit for the interviewees and are thus worth the while. Moreover, e-books are a great way to increase the sales of backlist titles, especially for out of print titles. "That gives us a thin stream of income. Just one more little piece to put to the whole picture." (Publisher i). Furthermore e-books are a great way to generate additional revenue abroad and can lead to translation deals.

Mainly non-fiction publishers reported e-book sales growth, while only Publisher j reported that e-book sales have a negative impact on print sales, which is why they do not publish both editions at the same time but rather delay the e-book publication. Publisher a does not understand this thinking, however, as e-book sales still generate income for publishers autonomously from print income.

When we first got into publishing there seemed this fever word, digital publishing, as it was going to cannibalise physical book sales. Supposedly a bad thing. But we were thinking but that is a growing sector, right? And you are making the electronic editions of your print products then you are getting income from electronic publishing. The thing you are afraid of is making you money. So, what is the big deal? (Publisher a)

They further argue that the decline in physical book sales is offset by a growth in digital sales, hence there is no reason for publishers to be hesitant in their e-publishing activities, a notion Publisher k agrees with. “There has been a dip in print sales because there has been a rise in electronic sales, but print is climbing now, and e-sales are climbing. So, we’re in a better position than we were a few years ago.”. Moreover, Publisher a found that e-book shares are higher for books targeted at a technology savvy readership.

We have made two books about video games, so they are obviously talking to a very concentrated online audience. [...] Our average for e-books as a percentage of total revenue is 24%, for this book it was 31% [...]. Books about digital sell more digitally, not by a huge margin, but significantly.

Hence with the right content publishers can earn a fair amount from selling e-books.

In terms of e-book pricing most interviewees went through a phase of conducting market research (e.g. how high are prices for similar e-books) while also testing different prices.

If you are paying 8.99£ for a typical paperback what should you pay for the same thing as an e-book? That is a really profound question. Especially when you remember that when you buy your physical copy, you own the book. It's yours but when you buy the e-book you don't. (Publisher i)

At the moment the most common rule seems to be to price e-books at 50% of the printed version. Others discount their e-books even further (e.g. 3.99£), mostly in accordance with *Amazon's* price bands, but still wonder whether those prices are competitive.

It's that thing of not discounting too much and discounting at the right time. When you sell a book at 4.49£ and we sell a thousand copies, we'd have to sell 4,000 copies if it was 0.99£ but you might actually sell only 2,000. It's all about gambling and experimenting. (Publisher d)

*Amazon* then discounts the e-books which leaves publishers “at their mercy” (Publisher a) and in turn motivated most interviewees to consider direct selling as all publishers interviewed prefer to price the e-books a bit higher than is possible on *Amazon*. The only time some interviewees price their e-books at the bottom of the scale (e.g. 0.99£) is for marketing purposes.

If you look at the hit parade on *Amazon* you'll find that apart from those books which are authored by big names [...] all e-books are priced around 0.99£. So [...] when a book comes out, we generally put the *Kindle* version at 0.99£ and try to get it seen on that hit parade which we hope and believe will help the physical sales. This is costing us money, but then again it is not costing us money if they are not going to buy them anyway. (Publisher i)

Finally Publisher h emphasised that partners (e.g. e-book aggregators) can help to figure out an appropriate pricing strategy.

We follow *Faber Factory's* suggestions because they're really watching it closely. And you know if you have a really popular book and you can advertise that it's only one week or one day at this price [...] but just by lowering the price it doesn't in itself help because there's too much already available for free or 0.99£.

Furthermore selling books directly generates additional revenue for most interviewees. The advantage here is that the margins are much better as stressed by Publisher d.

For small publishers selling directly is a very important part of the income. For every book that we sell directly it's the equivalent of two and a half books sold through book shops if not more [...] because of the bookshop margins.

The success depends heavily, however, on the relationship publishers have with their readers according to Publisher a. "If you can promote it by speaking directly to your readers [...] by saying 'Look, you are going to buy this book anyway and it really helps us out if you buy directly through us', that is important.". Moreover, direct selling might increase overall sales due to customers being exposed to the full range of products on the website.

Even though the cost involved in selling print titles directly are still higher than for e-books, Publisher a nevertheless find it worthwhile:

I think if you have a book that appeals to a mass market it doesn't make any sense to ignore *Amazon* and *Waterstones*, but if you can have a channel of direct sales as well [...] and if there is a way to deliver that direct sale at low cost without pushing a trolley of books to your post office I think that is perfect and we are trying to get there.

This means working with a distribution partner that helps with the actual shipping of books as sending those copies out by themselves was unsustainable for a small company like Publisher a. Those distributors (e.g. *BookSource*) request only discounts of up to 30% which is reasonable when compared to discounts for *Amazon* of more than 50%. To conclude, direct sales seem to be an opportunity especially for non-fiction publishers operating in niches to generate a reasonable amount of additional revenue.

When you sell through shops by the time the distribution costs and discounts and various commissions and things have been deducted, you end up with not very much really. So yes, I would say we are very much centred around the digital thing. In recent years I have come to realize that those items are really popular and they meet a need because they don't cost as much as printed books. (Publisher l)

Besides selling e-books to readers directly most interviewees also earn some money through lending either via public libraries or flat rate providers such as *Scribd*.

It's more like a streaming service for books [...]. You get your subscription and then you can read what you like and if somebody is reading your book then you get a little royalty payment. But I think it's about as good for us as *Spotify* is for an independent musician. (Publisher a)

The amount earned through those channels is minimal and thus interviewees do not pay much attention to those channels. The same is true for *Amazon's Kindle Unlimited* service. It is not a significant part of the revenue stream of the interviewees. Furthermore some interviewees have tried to generate additional income from selling apps which was not very successful for various reasons, with the most plausible one that customers are reluctant to pay for such products: "Even though we sold them for 0.99£ [...] which is very cheap but any price just stops the downloads [...]. But of course, what's the point? They don't act as an advert for the book." (Publisher h).

Another way to generate income that is facilitated by digital technologies is crowdfunding. Publisher a used this successfully to fund a podcast but saw the initiative rather as a way to engage with their readership than to raise money. "You have to think about the money as secondary. It's about getting people behind something and creating that story.". Overall they see it as an excellent way for publishers to raise money in order to realise innovative projects. According to them the success of such campaigns depends on having an established readership already that is willing to share the message as well as having a proper publicity plan behind the campaign to spread the message further. Publisher a found having an email list helpful, which allowed them to ask their core readership for help in sharing the details about the campaign. Moreover, having access to traditional media is crucial and so is being able to tell a story of what the goal of the funding campaign is.

Just putting out your hat and saying 'Can we have some money, please. We have a really good idea for a book, or we've got a really good idea for a publishing house [...]. It's not enough. You must be able to tell your story and for it to make sense and for the end of the story to be, 'That's why we need you to give us 20£ [...] and at the end of it you are going to get a great book that's worth 20£ but you are also allowing us to produce it'.

Crowdfunding, when done right, can then be a great way for small publishers to realise ideas and work around some of the restrictions they face when working within the established ways of publishing.



You can sell 75.000 of these books through that kind of traditional model or you could crowdfund a 2.000 print run like a special edition and each one is signed and you are doing an event and maybe people pay 50£ for each of those books. You can invent publishing at this point; you can be wherever you wanted to be. (Publisher a)

### Value Creation Process

The value creation process of the publishing houses interviewed has been drastically changed by digitisation. This has been a longer process starting with innovative digital printing technologies and more recently with the internet and online communication and cloud storage technology. Digital printing allowed small publishers to print books in short runs, making production more cost effective, flexible and reduced the overall business risk. Publisher c even argued that this has completely changed the finances of the company and allowed them to do what they are doing today, which is printing more colour books and Publisher g stated that they are able to publish more books in general. Moreover, the whole workflow of most interviewees has been streamlined, as most communication now is digital.

We use an online project management tool [...]. Most of our external communication is digital as well. A lot of our communication with our authors, manuscripts go back and forth in digital form, they get marked up in digital form, comments are put on in digital form. (Publisher c)

The following now looks closer at how those digital technologies have affected the in-house production process of the interviewees and how the value creation is organised.

#### *(1) Key Resources, Activities & Competencies*

Publisher e emphasised how important digitisation has become for the production of books and indicated that for the workforce knowing how to use a variety of software is increasingly important: "It's paradoxical, everything is digital until the point when you print the book.". What is more it allows publishers to work with authors and service providers all over the world, thus digital technology enabled the publishing of more varied books as well as reducing the overall production costs by allowing publishers to choose the most competitively priced services. Moreover, setting up an efficient production process allows publishers to focus on more important tasks such as selling their products. In addition when producing e-books in-house interviewees further stressed the importance of having a proper production process in place in order to create well-functioning digital content for various devices. Hence an advantage of e-publishing lies in the standards of production that publishers need to adhere to. It forces small publishers to develop a proper production process and strategy that in turn improves the quality of the printed versions of the books as well due to having to produce media neutral files.

Furthermore when asked about new competencies of the workforce, it became clear that learning on the job is the most common way of acquiring new skills. However, an advantage of hiring new personnel at an entry-level position is that the mostly younger individuals are already part of the 'digital native' generation with skills "they don't even know they have" (Publisher c). This refers especially to social media skills. Overall publishers are not actively looking for specific digital skills but rather training younger generations that come already equipped with a basic understanding of the digital world. Interviewees closed other digital skill gaps through knowledge exchange with other small publishers and through attending training events facilitated by *PS*.

Moreover, standing out with products online is an increasingly important part of the success of publishers. Hence being able to generate metadata that support books being found online is a sought-after competence as are design skills to create book covers that draw attention to the product on various screen sizes. Furthermore an understanding of the numerous reading devices and how content will be displayed on them is crucial for maintain a high product quality. Moreover, in a world of abundance knowing how to establish yourself as a strong brand is becoming essential, especially to be distinguishable from other content providers in the eye of consumers and sellers. Besides marketing in general is coming to the fore and thus online marketing competencies play an important role in the skill set of publishing houses. In general, however, most core competencies of publishers have not changed due to digitisation (e.g. have not been devalued) as tasks like editing, design and marketing "are still crucial and require the same creative approaches" (Publisher h).

Furthermore interviewees demonstrated that innovation is achievable for very small publishing houses as well when digital publishing is made a priority (Publisher I). Some publishers even preferred the digital publishing process because of its simplicity in comparison to publishing print books.

All of the digital publishing is so easy in the sense of the logistics of it. I know this makes it sound a bit prose to say but just the fact that you don't have to go through all the different layers that you have to with print. (Publisher a)

Finally Publisher a show that e-publishing can enhance the storytelling that is at the core of each publishing house.

The reason why we started the company is to tell stories and our background is in editorial, it's in ideas and it is in storytelling. You have much more freedom to do that in digital and especially if you are a small company. You can go in any direction you want to and you can change direction really quickly.

## *(2) Organisational Structure*

In terms of how small publishers are organised not much has changed due to digitisation. In order to keep track of innovation and developments in the wider industry interviewees mentioned how important input from their partners is, as they cannot afford to do much market research themselves. In general the two areas where new roles had to be incorporated into the organisational structure are marketing and e-book production. Most interviewees struggle especially with incorporating online marketing into their organisation as the benefits of employing someone solely for digital marketing does not warrant spending so much money. Hence the small publishers use either interns or existing staff members who work on this part time to fill the gap. Only Publisher i invested in expanding an existing marketing post to include more social media marketing which has worked out financially as well. The same is true for the e-book production process. It has been incorporated into the daily routine of most publishers interviewed and is not a separate unit in the publishing house.

[Establishing a separate e-book department] would be entirely against how we think of e-books. We would never do that. For a start they do not generate enough revenue for us to employ somebody solely to look after them. Our production department looks after them. So depending on who is working on a book is normally responsible for producing the e-book files but it is a quick bit, right at the end of the process. It's completely built in to our processes. It's not something that we spend too much time worrying about. (Publisher c)

Some of the smaller publishers, however, had to employ someone to take over the responsibility of overseeing the e-book production and especially the backlist digitisation. Time constraints were the reason for creating this new role as none of the existing members of staff had enough time to look after the new digital products. This is a general struggle for all micro publishing houses interviewed, where a variety of responsibilities are concentrated in one position. In addition some publishers saw the need to delegate important tasks to unpaid interns due to their financial constraints.

In cases where the small publishing houses are part of a larger entity they highlighted the advantage of sharing such things as administration which reduces the overhead costs of running a publishing business. At the same time it allows them to exchange knowledge and competencies and thus makes the publishing process more efficient. Moreover, digital technologies allow small publishers to organise their business in a flexible way, eliminating the need for an office and instead permits them to work remotely which results in lower overhead costs as well. In general setting up and running a small publishing business has become much easier thanks to technology.

## Value Network

Due to digitisation transforming the wider publishing network the interviewees saw also changes in the value creation network and thus had to reconsider their position within it. The greatest challenge was to set up an efficient process for the business that includes relevant partners. The following looks closer at how publishers incorporate new partners into their publishing process as well as how they deal with new forms of competition.

### *(1) Competition*

For some fiction genres self-publishing in addition to *Amazon's* imprints are very successful at competing with smaller publishers in the e-book market.

We know authors who have been very successful, have sold shit loads of e-books. [...] People within the scene, crime writers, who have either self-published and sold a hell of a lot of e-books or who are with *Thomas & Mercer* the *Amazon* crime imprint.  
(Publisher d)

Even though self-publishing makes up a large part of the e-book market due to low prices which has positive effects on the volume of sales and *Amazon's* convenient infrastructure for writers, it is, however, not only seen as competition. On the positive side Publisher d acknowledged that self-publishing success is how they sometimes find new authors. "If there's somebody who's sold quite a lot on Amazon knowing all the work they had to do to achieve that, they may be writing another book and looking for a publisher."

On the other hand there are genres like children's and illustrated non-fiction where self-publishing is not felt as competition at all: "the barriers to enter are too high. The quality of the illustrations, they need to be good. [...] the quality of the production of the finished book is very obvious in a children's book." (Publisher c). Nevertheless the easy availability of self-publishing means that publishers need to ask themselves, 'Why should an author trust a book with us when they can do well on *Amazon*?' (Publisher i). In general interviewees see high quality standards as the most important form of protection against self-publishing. "What we have to do is make sure that we raise the bar. We have to make sure that what we are offering is a premium piece of content that takes a year to produce, that our writers are elite." (Publisher a)

Self-published books, without sounding patronising or snobby, ours tend to stand out. [...] The quality of the book tends to stand out because we put our book from start to finish through so much work in terms of the editing process, the marketing and the cover design. For me personally when I look at a self-published book I don't feel like it can compete with our books no matter how cheap it is. I see that some of these books are for free and I don't feel that they are stealing our sales even if it's

on the same subject [...]. I don't feel like they have an impact on our sales at all. I don't feel like they are in the same league as us and we also promote ourselves as a literary publisher. Therefore a self-published book isn't really the same type of genre that we are going for, so I keep thinking that the readership isn't the same. I don't see it as a problem. (Publisher i)

The abundance of new titles being published all the time is seen as greater negative influence on the competitive conditions of publishers more than self-publishing itself. "It's far too many books published in the UK and in the world in general but it's that easy to publish books. Getting books into retail spaces is very different than getting books into existence." (Publisher f). Publisher h, however, sees the branding of self-publishing authors as 'indie authors' as the larger problem as it negatively impacts the distinctive feature of small independent publishers. For readers it is increasingly hard to know where the books are coming from and this also means being an independent publisher is no longer associated with quality publishing in the eyes of consumers and thus does no longer help their books to stand out.

There are just so many books now and it's very difficult for anything to find a market. There has been a blurring of the lines between self-published books and independent published books because the self-publishing people now often use the word 'indie'. They'll say, 'I'm an indie author'. So they stepped right into the space of independent publishers. Those lines are much more blurred digitally. In the physical book trade there's a huge difference because they don't really get much distribution and many of those authors don't publish the actual printed book, they're doing e-book only. But overall I wouldn't take it against them. Good on them if they're getting a market and they are getting published [...] but I'm sure it does affect the e-book sales of conventionally published books as well. (Publisher h)

Publisher h confirms what Publisher f has stated before, that self-publishing has not yet found its way into the physical book trade, unless books are being picked up by publishers after being self-publishing successes.

Moreover, the limitations of being a small publisher were felt in particular when competing with large corporations. This holds true also for specific niche titles. Publisher i for example had established a unique selling proposition but was forced to come out of it due to price competition. "Our books were 5£ and theirs were 2£ and their books were much more varied, and the distribution system was better.". Hence niches are not necessarily a protection from competition and the first mover advantage does not outweigh the limitations of smallness when larger corporations decide to enter such niches. Apart from that small publishers also struggle with promotion visibility especially due to well-known authors taking up much of the space online:

[Amazon will] have a little promotion bar like 'This *Kindle* deal is also like 25 other titles' and it's that type of thing that we want to get into. That helps with visibility. It's not so much self-published books, it's more the big authors that make it difficult for us, those are the ones that mask us. (Publisher i)

This is also true for social media which has become "much more crowded and it's been harder to make an impact." (Publisher h).

*Amazon's Audible* is the most powerful competitor for audiobook content at the moment as Publisher h argues: "it's all about the distribution and at the moment it is very, very dominated by *Audible* and their agenda is to promote their own stuff.". Moreover, the rise of other forms of entertainment, especially free content, enabled through the increase in smartphone usership are seen as new competition. Thus it can be concluded that the changes in consumer behaviour together with the increase in competition for consumers' time and visibility affect also small publishers' long-term strategies.

## (2) Partners

Cooperation and knowledge exchange are hugely important to all interviewees. Overall among publishing houses strong partnerships are valued more than thinking about other players as competition. Established publishers stressed the importance of book fairs to form those relationships particularly with international players. As Publisher h emphasises, alliances with other publishers make small houses stronger, allowing them to realize projects unattainable otherwise:

collectively you can share things, you can do more, you can trade expertise and so on. If you tried to do it on your own as a tiny house just with a small number of people you would be static. And a lot of our actual core functions are outsourced anyway.

## *Production*

The most common area for outsourcing is production. Interviewees mentioned that printers and especially PoD allow them to print books in small quantities as important partners. Overall technology has created more options for publishers, making their production process more flexible. This is hugely advantageous for small publishers who were never able to afford large print runs in the first place. Moreover, with printing costs decreasing publishers can move the production back to their home country, making production routes shorter and thus faster.

In terms of digital content production most respondents have outsourced the e-book production (e.g., to *CPI* or freelancers) because they struggle with the different file formats and requirements of devices when they produced e-books in-house. Hence choosing a service provider frees up capacities of the small publishing houses to focus on other core

tasks. Interviewees also emphasised that those service providers are closer to the market and thus they profit from their knowledge about formats, devices, pricing strategies and market developments. "I think it adds a layer of expertise that is important. Sometimes rendering e-books in different formats [...], you can tell that people have done it themselves. Our freelancer can add this expertise and she'll troubleshoot as well." (Publisher a).

Moreover, outsourcing the e-book production is seen as a great way to strengthen the relationships with typesetters and to work with someone who understands the requirements of the business.

It's more streamlined. [...] There is no shortage of companies to go to but we've established a link with one we know very well. [...] They can also do all the add-ons like getting books scanned and if we want something a little bit different, they can do that. It's good having a supplier that you know and can trust. (Publisher k)

Another option is *Amazon's* self-publishing platform *KDP* as it presents a low risk way of publishing e-books as hardly any upfront costs are required.

Once we realised that e-books weren't as important to us as we thought they might be [we decided to use *KDP*]. But it tied us to *Amazon* and that [is] bad. But it was a very cheap, low investment way of getting ourselves into the e-publishing business. We are not tied to it forever. (Publisher e)

Finally enhancing e-books with additional content requires partnerships with content creators from various fields (e.g., music, film) in cases where publishers decide to produce original content rather than using content that is readily available already. These are not considered core competencies by publishers and especially smaller publishers do not have capacities to develop those skills in-house.

### *Distribution*

Publishers that have outsourced the e-book production most of the time use this partner also for the distribution of the files. The advantage of working that way for small publishers is utilising the expertise of a specialist at low cost and being able to distribute e-books worldwide without having to worry about complications. Moreover, these aggregators are able to collect market figures, that are increasingly meaningful the more publishers they represent but also offer publishers very detailed insights into where their titles are selling. Publisher h, furthermore, indicated that they also share marketing information and due to the aggregator knowing the market well it is great and low-cost advice for publishers, that they usually listen to.

Apart from aggregators who distribute the e-books to various online shops, the relationship with *Amazon* is crucial for publishers, as Publisher i described, even though the online retailer is not the easiest partner to work with, as mentioned previously.

There are some publishers who are a bit quirky and say 'We refuse to work with *Amazon*' [...] but we are not in that position, because we know the sales that we get from *Amazon*. We know that even though there are other outlets *Amazon* is still very important and the promotions that we do through *Amazon* are still very important. We do have to work with them no matter how difficult it is in terms of the power that they have. For example if they run out of some of our books, we have no power to force them to get them back in stock. [...] I don't think you can say, 'Can you please order more stock?'. The ball is in their court. [...] So in terms of who has the power in the relationship it is *Amazon*.

*Amazon* is also the dominant player in the e-book market as mentioned previously, so working around them is impossible. Publishers mentioned, however, that working with an aggregator has the advantage of not having to negotiate e-book discounts with *Amazon* directly and in addition the aggregators can negotiate better deals on behalf of small publishers due to representing a large group of publishers.

Finally most publishers also outsource the e-book distribution to libraries (e.g., *Overdrive*).

On the other hand Publisher a argued that instead of working with an e-book aggregator in-house facilitation of distribution can have the advantage of generating additional income and stay more in control of what is happening with the business.

A lot of publishers will go through *Faber Factory*, but we don't do that. We upload them ourselves to all these different retailers, which means we have to break down the sales data more than other publishers would. We felt that we could actually stay a bit more in control and not give someone else a slice of the money.

This seems to be only feasible for small publishers, however, when the number of titles published each year is small.

Furthermore Scottish publishers with an outward looking approach who utilise the internet to sell books abroad do that with the help of distributors. "We sell the print editions via our website and they are then shipped worldwide through our distributor *BookSource*, the transaction, however, goes through our website." (Publisher f). The motivation for selling directly and with the help of distributors instead of through *Amazon* is that those distributors tend to grant better discounts. Nonetheless *Amazon* is an important partner for the selling of print books all over the world as well. Yet most publishers do not know



how many books are being sold through *Amazon*, as they still work with wholesalers who then supply *Amazon*.

### *Marketing*

Social Media plays a large role in any marketing mix today and thus platforms like *Twitter*, *Facebook* and *YouTube* are important partners for all interviewees. Publisher a, moreover, stressed the importance of collaborating with platforms that have already large established audiences interested in the topic of the title to complement the social media marketing activities.

We really understood the advantage in passing the content from these books on and putting parts of it out into the world for free. Without online that would be much less effective. So for almost all of our books we'll at some point turn interesting extracts into blogs or articles or videos or audio and [...] if we would only use our channels for that then we would be really limiting the reach. As hard as we work online, we still have relatively small audiences on social media, so it's much more efficient and effective to use platforms that people already trust and already visit in their hundreds of thousands. [...] The broader point is that we would look to other people's platforms, for the one who has the biggest megaphone and then try to get them to power our message through.

Moreover, marketing messages spread more easily online thanks to people sharing links on social media sites.

*Amazon* is also very important as a marketing platform, as books can potentially be seen by a large readership. Moreover, their price promotions and customer reviews help publishers to encourage a wider audience to buy their books.

Reviews on other sides don't have the same impact. People know *Amazon* and they still associate *Amazon* with books. [...] [P]eople automatically when you are talking to them say, 'Oh just check Amazon.'. It's the first thing that they do. That is why they hold such a massive share of the market, because people, even though there are other options, don't often think of that. (Publisher i)

Moreover, online reading communities are considered increasingly important partners for marketing mainly for fiction publishers because of their established readerships. *Goodreads* for example offers publishers a convenient option to give e-books away for free and through that create awareness for those titles. This is much more effective than using the publisher's website due to their larger reach, according to Publisher i.

One of the main advantages that I found apart from the reviews is that you can do these giveaways. [...] This is really important for me, because if I have a book from

a debut author or from somebody not very well known, you can do a giveaway through *Goodreads* [...] and they organise it all.

Furthermore for fiction genres like crime the relationship with book bloggers is very valuable, as they have established followers and a positive review on one of those blogs can increase sales.

Moreover, the author is an important partner for publishers as well in terms of marketing. Choosing authors who have already a larger social media presence means marketing messages can be spread further than without such a following. Besides Publisher d stressed the positive effects working with local authors can have on overall sales:

If the author is 12,000 miles away [...] boy do you notice the difference in terms of profile. [...] The old maxim that the first 2,000 copies of a book are hand sold I think is true. And if your author is hand selling as well as you are, then you reach those 2,000 copies far, far sooner.

Furthermore, especially non-fiction publishers profit from the engagement of authors with their audiences online. Publisher a, for example, have a very close relationship with their authors, trying to turn them into leading experts in their field:

The author relationship is really important to us. We give all of our authors a pep talk before we get involved with them about publicity and how usually the publicity graph in a traditional publishing model is like a flat line and then the book releases and then the graph goes up like that and that's it. Ours got to a much different shape. You make it a spike at the start, but you have to stay up there and be a part of a conversation around that subject all the time. [...] But you cannot strongarm people into it. Most of them buy into it and we almost insist that they do. The great thing and the beauty of books is that you have longevity and they grow arms and legs as the years go past. Two of our books have been made into a film and another one into a documentary. And the authors are the key parts of that, because they've just been at the centre of that.

Finally Publisher h mentioned that collaborating with other publishers on marketing activities can be very cost efficient: “we're doing joint sales events and live events [...] and that has gone off really well. We are sharing rights contacts and different things like that. Those partnerships are very important.”

#### V.1.2.4. Policy Frameworks and Funding for the Publishing Industry

Overall the interviewees did not experience any form of restriction from policies in their business activities, as Publisher c argued: “Publishing is quite an unregulated industry in many ways and we don't tend to look to government that much to support us, because

government doesn't regulate us that much in the first place. Books are fairly safe.". Instead of laws that restrict the publishing industry Publisher i was more concerned with the overall decline in readership.

We are in competition as book fans, book appreciators with more things now than before. Especially with the [...] increase of participation on screens, social media, games. These things are all much easier to do than sit and read a book.

Hence publishers see the biggest need for policy improvement in the increase of public spending in education and making sure people will value books in the future as this is the only way to make sure the number of non-readers does not increase because of easier accessible forms of entertainment:

Deprivation is a big part of non-literacy, so is gender. Men are much worse than women [...] and I say that this matters. [...] Much more attention has to be given to that. The first minister has a reading challenge going and that's great. The struggle with causes like this is, it tends to be a fashionable [...] [for a while] [...]. And then three or four years pass and something else comes up but the readership challenge, the literacy challenge, it will never end. It needs passion and it needs commitment and it needs the real believe that reading really matters. So I would like to see much more money coming into literature generally and much more commitment going into basic education. To teach adults to read. (Publisher i)

In addition the Scottish political situation has become uncertain due to the Brexit vote. At the point of writing the details of the leaving agreement between the UK and the EU are still unclear as is the impact of Brexit on the publishing industry in Scotland. However, interviewees already expressed their concern and those who are printing books abroad were already negatively affected due to the pound losing in value over night after the Brexit vote. On the one hand exports became quite attractive but at the same time production costs went up by 20% according to Publisher j.

### Taxation

Another topic that most interviewees were concerned with is the high VAT on e-books compared to no VAT on printed books. Publisher d called it a "tax on reading" and thus all interviewees would like to see it being reduced to zero as well. Publisher c see this a bit more critical, however, claiming that removing the VAT would most likely mean that *Amazon* would discount the books more and thus publishers would not earn more money with e-books after all. Now that the EU allows for the reduction of VAT each of the member states can put this into practice. If and when this will happen in the UK remains unclear. Publisher d, moreover, stressed that the publishing industry seems to have little influence in Europe especially when one looks at the lobbying activities. Hence they

blame the lack of power responsible that it took so long to come to an agreement about the VAT regulations concerning e-books.

Another regulation that was mentioned during the interviews is the change in paying VAT according to the country of residence of the customer. Publisher I described the additional workload that created as follows:

Now if it's 4% in one country and somebody orders from there, we charge 4% and if somebody orders from a country where it's 18%, we have to charge that. And then we have to have a record of that and report that to the VAT authorities, [...] I mean it's small amounts of money anyway. Sometimes it's just a few pounds each month that we have to report for all these various countries. It is just more work that is not necessary.

### Copyright, IP Exploitation and Piracy

Most interviewees were concerned about the fact that e-books can be pirated much more easily than compared to a printed book. The overall notion was that even though all publishers protect their e-books with DRM this is not a perfect protection, and nothing can be done once the file has been shared illegally. Overall, however, most of the interviewees see piracy not having an overly negative impact on their businesses.

Some of our books are available on file sharing services. And to be honest we don't really have the resources to deal with that, because it is very time consuming to find out who they are, issue take down notices and police it properly. We have looked into paying somebody to do it. In fact the *PA* offers services doing that. And to conclude it wasn't yet a big enough problem. [...] It's actually more of an issue persuading authors that it is not a big issue. (Publisher e)

As Publisher e indicated, the *PA* offers legal advice and supports publishers with take down notices. In general publishers seem not convinced about the effectiveness of those notices or working with anti-piracy companies.

What these companies and their systems do is they scan the web; they identify the sides and contact them to say, 'Take these books off'. [...] They gave us a breakdown of the number of instances that they have caught and stopped, and it was several hundred on just a few books. So it's an ongoing battle and you just have to resign yourself to the fact that probably sales are being lost [...]. You can't quantify it. (Publisher k)

Thus an effective way of protecting once copyright has yet to be found. "I think piracy is a real problem [...] and probably can't be dealt with any better. But globalisation means that when data is much more freely available people can access it. You can't possibly

keep track of what's going on.” (Publisher k). And as punishments for pirates are very lenient, as Publisher j argues, those legal measures do not act as a deterrent.

### Fixed Book Price

In the UK book prices are not fixed as opposed to many other countries in Europe. The agreement about book price maintenance between the *PA* and booksellers extinguished in the 1990s.

The publishing industry pushed for [...] the net book agreement to be disbanded [...] but the reality is that the value placed on books has been eroded [...] It's impossible to tell whether it's been a good thing or a bad thing. I think it has probably been a bad thing. In the UK we sell a hell of a lot of books, but we have to, because it's hard to make money. (Publisher d)

So fixing prices means that they tend to be higher. By abolishing this agreement, the publishing industry in the UK is now forced to sell more books in order to make up for the lower prices. Hence the smaller publishers interviewed expressed a preference to re-establish the net book agreement, as according to most respondents it would soften the pressure to sell lots of copies of each title published. Readers are used to lower priced books now, however, hence the interviewees did not see a realistic chance of ever going back to the level of prices under the net book agreement.

### Support for the Publishing Industry

Scottish publishers have access to a variety of funding options and *PS* offer a comprehensible overview of the many different routes to funding on their website. *PS* also offers support in form of publishing skills training to address competency gaps within small publishing houses, which the respondents found very helpful. In addition those training events bring a variety of publishing professionals together and thus create a space for knowledge and best-practice exchange.

*PS* receives its funding from the arts agency *CS* and uses this money among other things to subsidise publishers' trips to international book fairs or to meet potential business partners abroad (*Go See Fund*). In addition the *Go Digital Fund* provides funding for digital publishing projects. The latter, for example, helped Publisher a to realise an enhanced e-book series. In addition project based funding is available through *CS*. Moreover, *CS* offers funding to overseas publishers for translations of Scottish works into their local languages. However, with funding comes dissatisfaction of what is not being funded and some interviewees deplored that non-fiction titles are not being funded enough. “There is a perception in the UK that [it] has no literary merit [...]. We come up against

that quite a lot.” (Publisher a). On the other side some non-fiction publishers who are not receiving much funding expressed preference towards self-funding over subsidies. “Generally speaking our publications are not finished with any grant support, we like things to stand on their own feet and if they are not commercially viable we are not doing it. Not everyone has that opinion.” (Publisher j). Funding is therefore seen more as ground support for the overall infrastructure. This manifests the purpose of arts funding, as it is easier to make money with popular non-fiction than with literary titles. This notion was also expressed by Publisher d who argues that the subsidies allow them to publish more literary work. However, the funding sums available for literature have decreased over the last years. Publisher d mainly attributes the cuts in funding to the funding bodies losing interest in individual publishers once they are established. “The problem with funders is that they get attracted by shiny new things rather than maintaining stability.”. Hence Publisher i suggested that more money should be spent on literature in general, as subsidies guarantee the survival of literary fiction publishers.

I am deeply grateful to CS for the support they have given us for a number of years. We would not be here without it. [...] It's a tricky area, the whole area of arts funding, because it's a big aspect of arts and business here. We've been funded [...] and somebody else is not by definition. And it's been us recently and it could end. If I have a complaint which I'd hesitate to put in that way is that literature is underappreciated. I don't believe that all the challenges are being addressed as they should be [...]. I would wish more money to come into literature and that's got to be said is going to be at the expense of some other art form.

Lastly Publisher j would like to see more money being spent on “building the market” in general instead of subsidising certain genres.

If you're encouraging all this creativity, there has to be a market for it. And that's the biggest criticism I have. There is an imbalance between the enthusiasm for a new work and a lack of recognition that books don't sell themselves.

In general publishers criticised the application process for funding, especially for CS subsidies, and stated that the situation is less than ideal: “I am not at all satisfied because of lack of transparency and the different ‘off the record’ advice given to different applicants, which seems arbitrary, discriminatory and prone to favouritism.” (Publisher h). Publisher d also voiced the wish for more transparency when it comes to requirements for receiving funding as well as improving the system towards long-term funding that would give publishers security to plan properly.

It's not clear what they want to be published. They pick and choose. [...] There's not a clear policy of the kind of things that they're looking to support. [...] It's fine when

you're flavour of the month but when you're no longer flavour of the month it becomes hard and ultimately, they should be supporting publishers because without publishers certain Scottish literature would not get published. [...] If you can't depend on money, that is a problem. I mean at one level we expect nothing and appreciate everything, but at the same time it becomes very addictive in terms of you factor it in because you got it last year.

In addition especially smaller publishers see applying for funding as not worthwhile due to the bureaucracy involved. "Honestly the workload of applying for something like that has always put me off. They want so much information. I just don't have the time. I would love to apply for some of those grants, but I know it's difficult." (Publisher l). Moreover, most project funding is tied to requirements that are impossible for smaller publishers to fulfil, such as having to employ somebody who is disabled. "We are just not big enough to do that. It may be fine for a big company who probably doesn't need the money anyway." (Publisher l).

Lastly, Publisher k criticised that some larger publishers are taking advantage of the subsidies that could also survive without. Hence the funding practice at the moment does not encourage publishers to focus on creating economically viable businesses.

CS does a good job and it's probably always going to be criticized by people. [...] There are some publishers who play the system. I think *Creative Scotland* should be there for special things to help smaller entities do something. But there are some quite large publishers in Scotland who just go back and back and back to Creative Scotland to get a subsidy for their publication program. I don't think that's the way it should be done.

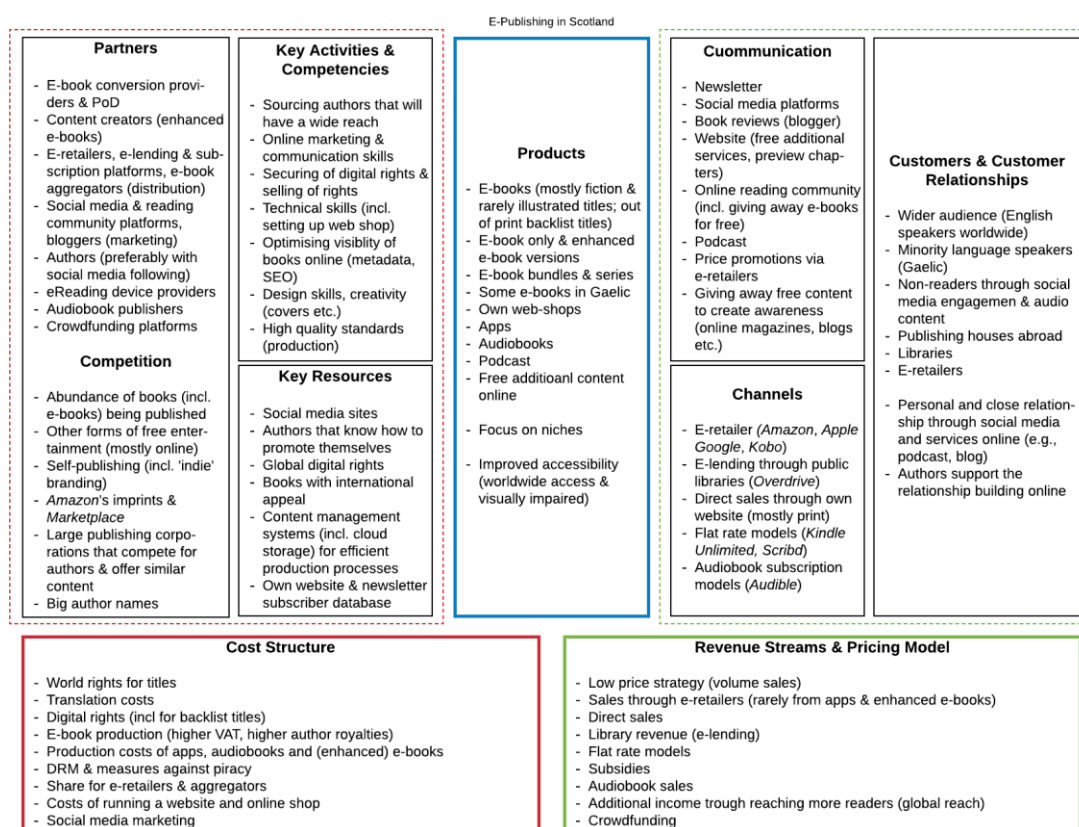
Other sources of funding that publishers found useful are the *Innovation Interface Fund* (facilitates businesses working with academics) as well as the *SMART Funding* from *Scottish Enterprise*. Some councils even offer loans with special conditions which is a popular way among non-fiction focused publishers to expand their businesses. Overall Scotland seems to offer enough financial support for the publishing industry, but publishers need to put in the work to find the appropriate sources.

Depending on what the publishing house wants to do I think there is [enough funding]. *Publishing Scotland* have a good digital fund [...]. I don't think it's over subscribed. I think they get something like 20.000£ a year, [...]. So there is money there directly from *Publishing Scotland*, but there's also [...] lots of other funding around. But the challenge for publishing companies is finding out how it's relevant to their business and taking advantage of it. But if we can do it, I think anyone can do it. (Publisher b)

### V.1.2.5. Summary – E-Publishing Practices in Scotland

The impact of digitisation on the Scottish publishing industry is most notable in the infrastructure that emerged to publish, disseminate, and market digital content and at the same time in the additional ways to reach printed book readers. Figure V-2 summarises how those changes are visible in publisher's BMs.

Figure V-2: E-Publishing Business Model in Scotland



Overall publishers stated that they are earning money through e-publishing in a wider sense and therefore are financially in a better position than before digital technologies spread around the globe. This does not only encompass selling digital content but also being able to reach a global audience thanks to English being considered *lingua franca* and the spread of the internet. Moreover, small publishing houses profit from flexible and streamlined businesses structures as digitisation allows them to work differently, without an office but with the possibility to easily connect and cooperate with experts worldwide. Hence overhead costs decrease. Publishers in remote locations in Scotland profit from this above all. Interviewees, furthermore, find that digital technologies allow them to be more creative with stories by adding value to them through focusing more on storytelling than using e-books only as an additional channel to disseminate the same story. Moreover, financial success with digital products depends more on the initiative of the publishers than on the genre. For example non-fiction publishers, a genre usually not selling



well in digital form, reported high sales when they were experimenting with innovative ideas online.

In general, smallness together with an entrepreneurial mind-set seem to be the prerequisites for innovation in the industry. Hence it is largely 'outsider', those new to publishing and without publishing backgrounds, that are bringing innovation into the market, experimenting with ideas, and capitalising them. Those entrepreneurial individuals are better suited to notice flaws in the publishing model thanks to their objective 'outsider' perspective. Among the publishers interviewed it was also mainly non-fiction publishers in very specific niches that seem to profit the most from e-publishing and the possibility to address audiences directly.

At the same time, pressure from global forces such as *Amazon* have put content creators, both authors and publishers, under pressure due to smaller margins that make it difficult to earn enough money. As a result, small publishers need to be creative and innovative to survive, hence innovation is becoming more and more a necessity. Moreover, experimenting with digital technologies seems to be cost effective as it requires time rather than money and thus is achievable for small publishers. Besides, new ways of financing publishing projects like crowdfunding are further strengthening the position of small players who focus on fostering a relationship with their audiences and creating value for them.

At the same time, the pressure of the market to price digital content very low makes it challenging to generate enough revenue to survive. This means publishers need to sell high quantities of books. Hence cross subsidising digital innovation with print revenue is common among established publishers thanks to higher prices of print products. Nonetheless, due to concentration in the bookselling infrastructure the rebates and discounts are making it harder and harder to be profitable. Hence especially small publishers are in a vulnerable position if a book does not sell well and in cases where they do not publish a lot of titles in general, as they have less possibilities to diversify the business risk. Thus small publishers are forced to pick projects carefully and to look outward as selling books internationally is the best option to generate additional sales, more so than focusing on obtaining subsidies for very Scottish projects.

On the other hand, publishers face much more competition in the wider English-speaking market. Too many books are being published according to interviewees. Consequently publishers focus on marketing, namely on visibility on *Amazon* and on having a conversation with their audiences. This leads to further convergence online as the lines between marketing in the form of services for readers and content become blurry, meaning that marketing measures are becoming products in their own right and are no longer just

marketing messages (content as a service). Moreover, involving authors in those conversations online is very effective (especially for non-fiction books where authors are experts in a field and can add something to the conversation). Small publishers, moreover, are more likely to have a closer relationship with their authors and readers. This is especially true when they occupy niches because those topics are more successful online as this is where people search for specific keywords. Hence larger publishers have started to enter niches too which adds further pressure on small publishers to be innovative.

Overall focusing on niches and publishing fewer books better seem to be the two approaches that work well for small publishers. Cooperation instead of competition, hence establishing long-lasting partnerships within the industry, is something publishers focus on as it allows them to realise more projects at lower costs and learn from other's successes. To conclude publishers in Scotland largely see e-publishing as an opportunity to create a fairer industry. As the traditional model seems to devalue content creators, publishers stressed the importance of finding ways to tell stories where the sales value is higher and according to them that is digital publishing.

## **V.2. E-Publishing in Small Language Markets: The Case of Slovenia**

To understand better the specifications of the Slovenian book market one needs to look at the connection the book has with the development of statehood in Eastern Europe. Anderson (2006) discusses how the standardisation of language through printing encouraged individuals to imagine themselves as members of national communities with the same culture and shared language. Kovač (2010) furthermore stresses the difference of that transformation process in "big and homogenous communities with a long tradition of statehood such as English [...] from that in small language communities such as [...] Slovenian, [...] that failed to establish stable nation states until the 20<sup>th</sup> century" (p.280). Because Slovenia belonged for the longest time to other linguistic empires it was "often subject to strong assimilation processes" and hence books published in Slovene were a means to strengthen its cultural and national identity (ibid, p.280). Only after the collapse of Yugoslavia and consequently the formation of the nation-state Slovenia in 1991 the book lost its predominant role as "guardian of cultural and ethnic identity" but at the same time became protected by the state through cultural policies (ibid, p.280). Kovač (2010) further emphasises the dichotomy between books losing in relevance as entity strengthening a feeling of belonging and their protection through the state. "The most visible embodiment of this identity crisis is the contradiction between the market and the cultural nature of the book business. [...] its impact is bigger in small language communities due to the cultural context [...] and bigger financial pressures which, because of smaller print

runs, appear in small book markets.” (ibid, p.280). This is particularly felt in Slovenia with only 2.08 Mil. inhabitants and hence a very limited potential readership (Statistical Office Republic of Slovenia, 2019). Lastly Slovenia has transitioned from its communist past into a stable democracy and thanks to historical ties to Western Europe joined the EU in 2004 as well as the Euro and the Schengen zone in 2007, thus demonstrating politically an outward looking approach as an answer to its size limitations (Central Intelligence Agency, 2019a).

#### V.2.1. Market Overview<sup>125</sup>

Publishing is a very small business in Slovenia. In 2015 the total output of books published amounted to 5.411 and additionally an estimated 600 e-books were published too (Wischenbart et al., 2017a, p.92). Around 3.500 of those titles are trade titles (Kovač and Gregorin, 2016) with around half of trade titles being translations (Gregorin et al., 2013, p.15; Kovač et al., 2015, p.31). Moreover, in 2016 the total turnover of the book industry was estimated to have reached 70 Mil. Euros with e-book sales accounting for around 0.05-0.1 Mil. Euros (Wischenbart et al., 2017a, p.92).<sup>126</sup> Over the last years the market has been stable with the main driver for growth being online sales of printed and e-books as well as imports of books in foreign languages and the growth in self-publishing.

Currently, Slovenia is home to around 140 publishing houses, whereby the majority of those are micro businesses with one or two employees. In sum, the industry employed around 550 people in 2018 (Gospodarska Zbornica Slovenije, 2019). Lastly Slovenes are very accustomed to reading in English, which has been encouraged by school curriculums teaching English since the 1950s and as a result sales of English print book amount to 10-15% of total print sales according to the largest bookshop chain (Gregorin et al., 2013, p.15).<sup>127</sup> In general foreign titles are much more popular among Slovenian readers, which is also notable in the sales figures of translations in comparison to original Slovenian fiction and non-fiction (Kovač et al., 2015, p.41).

The trade book market is characterised by a large variety of sales channels from bookshops to book clubs, door-to-door selling, direct mail as well as supermarkets and online shops. This diverse network is a consequence of the majority of Slovenes living

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<sup>125</sup> No accurate book statistics on a national level exist as the *Slovenian Book Agency (JAK)* does not publish any market statistics (bestseller lists, etc.) and direct enquiries about statistics and subsidies remained unanswered. Hence the following analysis relies on the answers of industry experts as well as the voluntary disclosure of the study participants.

<sup>126</sup> Kovač estimates that fiction books by Slovene authors and non-fiction titles of Slovene interest account for 15% of the total turnover (Kovač and Squires, 2014, p.12).

<sup>127</sup> It can be assumed that the numbers of English books sold in Slovenia are higher as online retailers like *Amazon* ship books to Slovenia and in addition English e-books are available for sale in Slovenia as well. Thus Kovač estimates that over 20% of total bookshop sales are now English title sales (Gregorin et al., 2013, p.15) and amounting to over 15% of the entire book market in Slovenia (Kovač and Squires, 2014).

in rural areas too small to sustain a bookshop (Gregorin et al., 2013, p.15). However, this has resulted in higher overhead costs for publishing houses as personnel is needed to coordinate and keep track of those channels (Slovenian Book Agency, 2009, p.10). Nonetheless brick-and-mortar bookshops account for most book sales with a share of 30 to 40% of all books sold to consumers (ibid). Moreover, the most prominent characteristic of book distribution in Slovenia is the popularity of public libraries due to its wide spread network that reaches readers even in the smallest villages.<sup>128</sup> The country saw a major shift from book buying to lending since the 1990s with one fourth of the population being members of a public library today.<sup>129</sup> As a result a consumer survey from 2014 found that 48% of readers got their last book from a library whereas only 13% purchased it (Kovač et al., 2015, p.24). Thus loans heavily outnumber sales (Gregorin et al., 2013, p.16) with around 3 books being bought per capita compared to 14 books borrowed (Blatnik, 2014, p.39). Moreover, the average spending on books per head totals 35 € with an aggregated book consumption of 7.6 books per head per year. With books being priced on average around 20 € and a library membership costing between 15 and 20 € per year in combination with a widespread library infrastructure, this explains why lending is so popular among Slovenians (Mount, 2014, p.52).<sup>130</sup>

Furthermore, the whole publishing industry is highly concentrated in the hands of only a few large national publishing businesses (vertical concentration), which seems to be a typical characteristic of small language markets (Wischenbart et al., 2017a, p.92). In Slovenia the concentration developed after its independence. In 1991 only three large publishing houses existed and in the following years the market consolidated further with *Mladinska Knjiga (MK)* surviving as the only major publishing entity (Kovač et al., 2015, p.42). Moreover, a few new publishing houses emerged with *Učila* growing into the second largest general publishing house (ibid). Those two publishing houses, moreover, also own the largest bookshop chains, brick-and-mortar as well as online, thus dominating not only the production part of the value network but also the bookselling infrastructure (Kovač, 2010, p.287). Furthermore, *Amazon* as the largest and most widespread online retailer has not entered the Slovenian market and thus publishers in Slovenia cannot sell their books, both print and digital, through the e-retailer as *Amazon* does not support Slovene. It is, however, possible for readers to order books in supported languages (e.g. English) via one of their web shops (e.g. *amazon.com*). As there are no official figures it is impossible to know exactly how many titles are being sold to Slovenia

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<sup>128</sup> Slovenian libraries provide a mobile service for rural areas, the so called 'bibliobuses'.

<sup>129</sup> The number of library patrons grew by more than 100% between 1990 and 2000 and the loans per capita increased almost 150% in the ten-year period (Slovenian Book Agency, 2009, p.11).

<sup>130</sup> The comparable high book prices result from small print runs (on average 400 to 600 books according to interviewees). Moreover Kovač states that readers loan 20 times more books than they purchase (Kovač and Squires, 2014, p.12).

each year. Reader surveys conducted during the last few years show, however, an increase in English language book consumption especially among younger readers.<sup>131</sup> Thus it can be concluded that the internet and companies like *Amazon* which offer easy access to English titles and online communities with free content (e.g. *Wattpad*) have encouraged this development and as a result created additional competition for local language publishers.

Moreover, books written by Slovenian authors struggle for visibility abroad, as is the case with the majority of Eastern European literature according to Kovač (2010), who states that no East European bestselling authors have ever appeared on the bestseller lists in East or West Europe (pp.281-2). As mentioned above, there is instead a one-dimensionality in the way books from abroad easily make their way into the Slovenian market.<sup>132</sup> Either as originals as is happening with English books or as translations.

The difficulties of Slovenian authors to gain international popularity resulted in a pull from publishers abroad who, due to being more financially strong are able to reach a wider audience, attract Slovenian authors. Slavoj Žižek for example writes exclusively in English with his books being published by larger publishing houses abroad (Kovač and Squires, 2014, p.9).

Kovač argues that for a long time in Slovenia it was unimaginable that the cultural good could go hand in hand with “capitalist business operations” (Slovenian Book Agency, 2009, p.7). He further emphasises that, with the introduction of communism, the cultural aspect of the book became the sole focus, whereas in Western Europe an “equilibrium between the market and the cultural character of the book” (ibid, p.7) was found. This demonstrates that the “wider political economic and cultural context in which a particular publishing industry operated” (ibid, p.7) plays a vital role for the developments of the book market. Publishing houses still are amid the transition, which is not always easy:

It's so difficult in this capitalist system. I was born in the Yugoslavian socialist system and I remember that it was not this discouraging. There was solidarity and it was much easier. Especially now I feel like we are like rats trapped in a cage. It's very difficult to cooperate with anyone because everyone is just focusing on themselves and worried all the time. (Publisher 5)

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<sup>131</sup> According to a reader survey around 6% of Slovenian readers read only or predominantly in English with the majority of those readers being younger than 35 (Kovač et al., 2015, p.64).

<sup>132</sup> Approximately 40% of the books in the main bookshop in Ljubljana are English editions (Kovač, 2010, p.282).

## V.2.2. The State of E-Publishing

Estimating the size of the e-book market in Slovenia is challenging, as no official statistics on e-book production for the trade market exist, hence the following section relies on estimates from industry experts (Kovač and Squires, 2014, p.10; Wischenbart et al., 2015, p.86). It can be estimated that the share of e-books account for less than 1% of the book market.<sup>133</sup> This share is only recently increasing, as for a long time no proper infrastructure for the distribution of e-books existed. In 2013 the not-for-profit cultural institute and publishing house, *Beletrina Academic Press*, developed a national e-lending platform in cooperation with the *Slovenian Library Association* called *Biblos*. The platform is integrated with the public libraries to offer e-books to their members for no additional costs, thus using the popularity of libraries to distribute e-books (Mount, 2014, p.05-1).<sup>134</sup> Furthermore the platform now also allows readers to buy e-books which are currently not available for lending, allowing readers to borrow and purchase e-books “within a single platform ecosystem and architecture” (Mount, 2014, p.53). This adds another channel for e-book purchases to the mix after *Apple* started offering Slovenian e-books in its *iBook Store* in 2012 and *MK* established its own online store in 2013 (*Emka*).

Libraries need to pay a subscription fee for the use of the system, which offers unrestricted access to public domain and open licence e-books.<sup>135</sup> All other titles can be purchased in form of licences that allow loaning a title 52 times, with the individual libraries being able to decide the number of simultaneous loans offered to their members.<sup>136</sup> The price for one licence is the same as the e-book price (ibid, p.51). Over 40 publishers have signed a distribution contract with *Biblos* to licence e-books. To encourage further the conversion of books into e-books and to increase the variety of titles available in electronic form, the Slovene Book Agency subsidises each conversion with 70€ (European Union, 2016, p.54). Current data suggest that users who borrow e-books are then also purchasing e-books afterwards (Mount, 2014, p.51). Nonetheless only 30% of e-book titles are books published within the last year, whereas the remaining titles are older backlist titles (ibid, p.53).

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<sup>133</sup> Even though 25% of readers regularly read e-books, 90% of those readers acquire those e-books for free (Kovač et al., 2015, p.39).

<sup>134</sup> *Beletrina* covered the costs of developing the platform as well as its operation costs today out of their own funds (Mount, 2014, p.51).

<sup>135</sup> The annual subscription fee is between 700 and 1.200€ depending on the size of the library (Mount, 2014, p.52).

<sup>136</sup> This is referred to as *Hybrid Licensing Model* as unlimited multi-user access to public domain e-books is granted for an annual subscription fee while at the same time single-user licenses for premium titles need to be purchased (Mount, 2014, p.96).

Overall e-book lending via public libraries has increased by 47% in 2016 when compared with 2015, thus indicating that a small market for popular fiction titles is evolving (Wischenbart et al., 2017a, p.93). Nonetheless it is a miniscule market as e-book library loans only account for around 1% of total loans (ibid). However, there is another market developing at the moment that bypasses the national book industry as a survey among readers showed. 20% of readers own e-books with 55% of those buying e-books in English (Kovač et al., 2015, p.67). Moreover, 75% of those e-book readers state that they got their e-books for free online and 8% buy e-books from global e-retailers due to more varied reading choices (ibid, p.93). Thus only 4% of readers borrow e-books from libraries and 2% buy them from domestic e-retailers. Lastly the research concludes that 90% of the e-book market happens outside established Slovenian structures. Due to those readers being younger, this can be seen as a hint at future developments in the book market.

As e-book sales only account for a tiny portion of overall sales, self-publishing online is also not of interest for Slovenian authors. However, self-publishing in print form has become more popular in recent years, as print production has become more affordable. Some authors have been successful in selling self-published books themselves all over the country, thus working around the restrictions of the concentrated retail channels (Wischenbart et al., 2017a, p.93).

Online sales account for 3-5% of all print books sold, making e-commerce the third most important sales channel after bookshops and shopping centres (Kovač et al., 2015, p.26). Moreover, in Slovenia, as in the other small nations in Europe with a small linguistic area, global online retailers are insignificant because they never entered the market for printed books (e.g. there is no dedicated *Amazon* shop in Slovenia). Thus the main Slovenian players in the publishing industry filled this gap and established online shops<sup>137</sup> themselves, which further contributed to the concentration of the book market and the continuation of the power structures of the physical book world online. Kovač concludes that even though the book accessibility as well as the variety of books increased, reading and book-buying nonetheless is stagnant (ibid, p.121). The internet and especially social networks seem to be the reason why there is a decline in regular readers due to a myriad of other things readers can occupy their free time with (ibid, p.77).

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<sup>137</sup> The main two online shops are *emka.si* and *felix.si*, which are owned by the two largest publishing houses *Mladinska Knjiga* and *Učila*. *Felix.si*, however, only sells books published by *Učila* whereas *emka.si* offers books (incl. e-books) published by other publishing houses as well.

### V.2.3. Business Models and Innovation

For most small publishing houses in Slovenia not much has changed over the last years with the advancement of digital technologies. Overall e-publishing is less developed in Slovenia than in the two larger language markets mainly due to low interest in buying books and the small overall readership that is limited to the size of Slovene speakers. Nonetheless business practices are changing slowly for some publishers and the following sections summarises how the small publishing houses interviewed adapted their BMs to incorporate digital publishing strategies.

#### Value Proposition

##### *(1) Products*

Most publishing houses interviewed cover a variety of genres as well as roles within the publishing network, thus diversifying their offerings, and act as cultural hot spots instead of focusing on a very specific niche. In terms of digital products e-books became popular and, therefore, relevant for publishers only a few years ago, when *Biblos* created an incentive to digitise content. Apart from a few important publishing houses most Slovenian publishers do or want to publish e-books. Hence for new titles the digital rights are bought simultaneously, and some publishers have started to digitise their backlists of out of print titles. A few publishers have even experimented with e-book only versions, which were not very popular with readers, however.

Genre plays again a role when publishers decide whether to convert a book into an e-book. For example non-fiction does not lend itself as well for selling digitally as fiction (incl. YA) does.

We publish high profile non-fiction titles. Maybe some are more commercial for example in the [...] current affairs division. But in general these books are not easy reads and that is why they are also not suitable for quick reads in an e-version.  
(Publisher 11)

Moreover, due to higher production costs in combination with low interest of readers in the digital version of illustrated non-fiction, interviewees stated that they do not convert those titles either. In addition books written by Slovenian authors are converted more often than translations, as it is easier and cheaper to acquire the digital rights, according to the interviewees. "With foreign authors it depends. If the rights are too expensive, we don't produce the e-books. We prefer novels because they are easier to convert and cheaper. Some books are not very practical as e-books. Comics for example." (Publisher



2). In general the offering of Slovenian e-books is still small, however, which encourages readers to look for digital reading material elsewhere.

If you like to read a book and you go to *Amazon*, there are plenty of books and you can choose the topic that interests you. When you look at Slovenian e-books there is not much, there are only a few thousand books. You might not find what you need or want. (Publisher 2)

Furthermore some interviewees argued that the literary tradition in Slovenia is responsible for the lack of good reading choices in digital form.

One very specific thing in Slovenian literary history is that we don't really have very many quality genre writers. We have just a few people who write good crime stories or good romances. We have almost no original Slovenian fantasy, which are the genres that are popular in digital form. So we don't have our own Slovenian tradition in that. (Author)

There is one slight problem with Slovenian authors. Nobody wants to read Slovenian authors. Because they all want to write literary fiction. And nobody wants to read literary fiction written by Slovenian authors. (Publisher 7)

Apart from publishing e-books other digital content such as audiobooks for the consumer market were not mentioned by interviewees as playing any role in the Slovenian market. Therefore none of the interviewees does currently invest in other forms of digital publishing. Thus the interviewee from *Ljubljana City Library* assumes that readers are looking again for those materials elsewhere and, as a result, listen to mostly English audiobooks. Other content such as magazines is not being converted yet because publishers have no distribution channel for digital content that are not e-books. Furthermore only a few publishers tested apps in the consumer market: Publisher 7 developed an app based on a popular children's book that was popular as long as it was for free. "We invested around 12.000 Euros and if you cannot recover the cost then it doesn't make much sense to do this again." Those sums are unattainable for the majority of publishers to invest in such projects, hence the only other way for smaller publishers to experiment with such offerings is to apply for external funding (e.g. *Slo Books*).<sup>138</sup> Lastly another publisher introduced an app, an extension of their web-shop, as a way of marketing books and to sell them more easily directly to readers. "The advantage is to sell more e-books. Foreign language e-books as well, not just Slovenian e-books." (Publisher 10).

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<sup>138</sup> *Slo Books* is an app that is targeted at agents to promote Slovenian literature abroad. It was co-funded by the *Creative Europe Programme* of the EU and the *JAK*.

Lastly one interviewee stated that their publishing house now offers a service for self-publishers that focuses on print production, as digital technology has made small print runs affordable. They offer all services along the value chain to authors, from editorial and printing to distribution. Moreover, they also offer to translate books into English and distribute those books abroad to help authors reach a wider audience.

## *(2) Customers and Customer Relationships*

The biggest advantage of the e-lending infrastructure is that publishers are now able to reach Slovene-speaking readers abroad as public libraries allow everyone to sign up and access the *Biblos* platform. Moreover, the current goal for *Biblos* is to increase their reach by making it more accessible for visually impaired readers as well as extending the e-lending offering to school libraries.

Some of them would like to be involved and some not and we are now mostly targeting our marketing to promote e-reading and to how books can be used in different ways.

Moreover, *Biblos* sees an opportunity to further widen their customer base through marketing activities targeted at an older demographic due to the adjustable font size of e-books.

Furthermore interviewees stated that they also reach a wider audience thanks to their online presence, which allows readers from abroad to purchase books in Slovene in a convenient way.

When we buy rights we buy them for the Slovenian language worldwide because we want to allow those five Slovenians who live in South Korea to buy our books. Why shouldn't they buy e-books in Slovene in South Korea? Who would be at loss? But bigger markets perhaps have a different logic. (Publisher 7)

On the other hand, however, as direct sales of e-books are miniscule reaching a wider readership needs to be put into perspective as Publisher 2 argues. "Our sales are very symbolic, a dozen books per month. It's hard to draw any conclusions from that. I mean it is not much when you reach 10 new customers." This again demonstrates the low impact digital products have for publishers in Slovenia. This is also true for the largest publishing house that even struggles to reach a wider readership with international best-sellers. "We published '*Inferno*' by *Dan Brown*, that was the last great bestseller in Slovenia, and this means more than 10.000 printed books were sold and less than 100 e-books." (Publisher 7). The author interviewed claims that the lack of interest in e-books is also partially due to how readers perceive the status of the book. "The book is still paid for as the material object in Slovenia. It's not paid for as content." This might change in

the near future, however, as children grow up using various devices and digital products already in school, which might make them more likely to read e-books regularly.

Beside the small numbers of new customers that can be reached online, publishers stated that a far larger problem is the fact that most Slovenian authors are irrelevant abroad. This means that even though the internet in theory allows publishers to distribute content worldwide, it has not made a difference for publishers from Slovenia as they face the same struggle online of making their texts cross borders. Even when translating books into more widespread languages publishers hardly find commercial success.

The rare exceptions are authors who can publish their books with foreign publishing houses in larger markets in the West by writing in languages like French and English. Just getting an agent does not seem to be enough as Publisher 3 argued. "*Miha Mazzini* translates all of his books. He has an agent. And almost nothing happens with his books. Even if they come to the English market [...] It is a closed system which is dominated by big languages." (Publisher 3).

There is a very clear divide between East and West. Eastern authors don't do well in the West at all. [...] Two reasons: one reason is that authors here are not good in writing genre fiction, which is actually the fiction that makes it onto bestseller lists. And there is a kind of neo-colonial view of Eastern Europe in the West in a way that there are not many authors worth publishing. So a part of it is prejudice and the other part is the truth which supports the prejudice. (Kovač)

Moreover, Publisher 3 also emphasised that even if they manage to sell translation rights to publishing houses from larger language markets it tends to be smaller publishers who only translate because those books are subsidised and hence have a lower financial risk. Thus on the one side publishers want to establish a wider audience for their authors, which means they logically have to look abroad due to the limited readership in Slovenia. To do this successfully, authors need to start to write in dominant languages such as English and potentially find a larger publisher abroad as well. On the other side, publishers are very focused on safeguarding and strengthening a book culture in Slovene, which means limiting the reach of their authors. This dilemma needs to further be put into the perspective of small publishers that do not have resources to translate books into English themselves and would need subsidies to do so.

Lastly, the relationship publishers have with their readers seems to be important for book sales according to Publishers 5. "People don't buy books often so if they buy books, they want to support you. That's why people who know us buy our books because they feel sorry for me.". Establishing a close relationship with readers is an area most publishers see a need for more investment. As of now, only a few interviewees were satisfied with

the relationship they are having. Beside events, publishers use the internet and especially online magazines and communities to establish a different kind of relationship with readers.

### (3) Channels

*Emka*, *iBooks* and *Kobo* are the main channels through which publishers sell their e-books. Moreover, most publishers interviewed sell their books, usually the printed versions and in some cases even e-books, directly through their websites. Those publishers that do not sell e-books directly usually link to *Emka* or to *Biblos*. As the interest in online shopping among customers increases, some of the interviewees also sell e-books published by other publishers, resulting in a myriad of book buying options for readers as the majority of publishers interviewed operate brick-and-mortar bookstores as well, usually selling a mix of their own books and those from other publishers. Nevertheless direct sales are only the third most important sales channel after bookstores and libraries.

*Emka* is by far the most important e-commerce platform for books in Slovenia, which further adds to the powerful market position of *MK* and demonstrates that the established structures of the book trade remain intact in the digital world. Small publishing houses see this position critically as it can be assumed that *MK* treats their own books favourable even though they claim to treat all publishers fairly.

There is a fight all the time between the publishing house and the bookselling arm. The book sellers say, 'Your books are rubbish, we won't pay you that much' and of course sometimes when there are some bestsellers the heads of the company intervene and say, 'Now go with this, put this in all shop windows because this will make us money', but this happens once or twice a year. Otherwise the book sellers decide what they do because they have to survive.

Furthermore *Biblos* is the most important channel to distribute e-books to libraries and almost all interviewees make their e-books available through this system. Moreover, some interviewees have voiced concern about the powerful position of *Biblos*, which is run by a publishing house, due to potential conflicts of interest and preferable treatment for their own e-books. The e-lending as well as the online selling market are both dominated by one player that also has an interest in selling their own books. Hence it can indeed be questioned whether all publishers are treated equally. "I don't approve of how they're destroying the infrastructure, so I decided not to support them. But it was good because I realised that the world is much bigger and so together we have this small little book shop." (Publisher 5). Out of the controversy about the oligopoly distribution structure for e-book dissemination emerged a new platform that was set up by a cooperation

of small publishers who felt that they are misrepresented in the established market structures and thus want to use this platform to expose their books to a wider, a more international audience.

So we started the association because I think we need an open distribution platform. This is the good thing about the monopoly, you need to be creative. When you have the monopole, you don't have to do anything. You already have your comfortable position. That's why I planned the innovation. The mainstream never was innovative. (Publisher 5).

Lastly, *Amazon* still plays a role for some interviewees as they are looking for ways to work around the language restrictions. For example one publisher translated some books into English and thus was able to sell those books via *Amazon*. This was financially not very successful though. Furthermore others are trying to circumvent *Amazon's* restrictions when it comes to selling content in Slovene by either lying or using aggregators from countries that are supported by *Amazon*. "Because they are a Hungarian company they can distribute content through *Amazon*." (Publishers 5).

For quite some time we couldn't sell our audiobooks through *Apple's* store. Slovene was just not part of the deal. We are that small. I think now it's possible but at the beginning of 2012 for sure we couldn't enter the *Apple* store and neither *Google* with digital content and even *Amazon* you couldn't enter. You had to swindle and pretend that your content was in Portuguese for example. But not English because they spotted that it is not English. (Publisher 14).

Most distribution channels used by publishers to distribute their content are still very traditional.

We don't see the digitisation as a particular challenge for us. We have other challenges really. Low print runs and our sales channels are dying and we still have a lot of direct sales channels like door to door sales and a telephone market and so on and we have lots of problems there. (Publisher 7).

#### (4) *Communication*

Communicating with readers through social media channels and sending out newsletters is common practice among all interviewees. Publisher 1, furthermore, stressed that social media channels are not as effective as they used to be, especially because they are so crowded, which means it is becoming harder to be visible.

It is a channel that is becoming more and more expensive and it is very hard to achieve something through those channels. When those channels were still new, everything was ok but now they have become so common. It is really hard to use

those channels in an effective way unless you invest quite a lot of money. (Publisher 1)

Nonetheless, most interviewees still find that the advantages of those communication channels outweigh the limitations.

Social media does help with advertising. Not just advertising but communicating with our audience. We did a couple of projects with one of our authors that were quite successful in selling books. [...] But it always depends which author, which content. It is not like we will use this platform for everything and all is great. It doesn't work like this. We have one author whose books are also translated into English. [...] His whole page is in English. He is really an expert with computers, and he has this kind of readers. So it is really easy to market his books on *Facebook*. (Publisher 3)

The author involvement again was perceived as crucial for the success of those measures as is establishing an intertwined on- and offline relationship with readers.

If just our publishing house would put things on *Facebook* nobody would care. He has to share it. Everything is really connected. So most customers come here for example because we are talking with them. By staying in touch with them through all these events. It is a really personal thing. We concentrate most of our efforts to get these customers to events instead of talking to the whole of Slovenia because it is too much energy for a really bad result in the end. (Publisher 3)

Moreover, the author interviewed recommends using social media to create awareness for books instead of solely relying on marketing measures of the publishing houses.

Almost every author could be involved in that but some of course are not. There is a very good example of an author who is also a blogger. He's a stand-up comedian and also a translator. He's one of the most active people in Slovenia on social media [...]. So when he published his first book it was a huge bestseller, it sold over 10.000 copies, which is a huge bestseller here. And this was basically mostly driven by his e-press, *Twitter*, *Instagram* and *Facebook*, because he also reached so many people who usually don't buy books. [...]. So it was a big PR advantage. (Author)

In addition, Publisher 7 argued that social media is especially useful to reach the younger demographics as they are spending so much time on social media sites anyway. Moreover, most interviewees stated that they would like to expand their social media strategies but are limited by time constraints. "We have to work on marketing and also some interactive things like samples. And also some *YouTube* presentations. But it's always time consuming. That's the problem. But I think it's worth it." (Publisher 5). At the same time those new channels allow small publishers to promote their products without need-

ing lots of financial resources. “We don’t have money for publicity. This is the only publicity we can afford. *MailChimp*, *Facebook* and the information on our website.” (Publisher 12).

Besides some interviewees use online and print magazines to make their offerings known to readers. Moreover, those magazines are an effective way to advertise the e-book distribution platforms (e.g. *Biblos*) to readers. Moreover, some publishers have published e-books ahead of the print publication to draw attention to the book and other make free sample chapters of books available on their websites. Those new ways of communicating with readers are then combined with analogue channels such as book presentations, events and book fair attendances.

Moreover, online reading communities like *Goodreads* do not seem to be of importance in Slovenia thus one interviewee is establishing one in Slovene.

The main goal of this portal is to interact with readers, meaning they can contribute posts and comment. It is difficult to develop anything without money, we cannot pay co-workers, and, in the capitalist system, not many people are willing to work voluntarily. And there is another problem: the mainstream steals our ideas, because they have the funds to quickly realise things and, above all, they have the money for advertising. (Publisher 5)

### Revenue Model

In general prices for books in Slovenia are quite high due to small print runs and high rates for translations. Also e-books are mostly not priced much lower for the same reason. Overall publishers struggle to survive from book sales in general and most publishers would not survive without subsidies.

#### *(1) Cost Structure*

The widespread conception that e-books are cheaper to produce seems not to be true for Slovenian publishers as they struggle to recoup the costs involved in producing e-books. First of all converting books into e-books means that publishers now also need the digital rights of the books which can be time consuming and thus expensive, especially for backlist titles. “We did ePubs and we did some marketing for that. In the end this was not a huge financial investment but mostly a human resource investment. But it doesn't pay off.” (Publisher 11). Moreover, interviewees stated that especially publishing translations in digital form come with additional costs, namely higher royalty rates, which are impossible to recoup through sales due to low overall e-book sales. Thus some publishers stopped publishing translations as e-books.

We cannot sell e-books for a proper price and the costs for producing these e-books are almost the same as for the printed books. You have to pay for translations, you pay for layout, you don't need to print but at the same time you have higher royalty rates. Royalty rates for printed books are 5-10% and for e-books are 25-30%. And there is a higher VAT on e-books. [...] So the costs are too high for us. (Publisher 8)

Furthermore, certain genres like illustrated non-fiction are more expensive to produce and therefore are not attractive for publishers to convert. To compensate for the higher production costs Publisher 11 suggested to reduce the number of loans per licence included in the *Biblos* e-lending model for non-fiction books, to make e-books economically more viable, as the 52 loans are unattainable for most non-fiction titles, meaning one licence grants libraries almost lifelong lending possibilities.

The actual production of an electronic file, however, is not very expensive and the main reason why publishers publish e-books only when they publish the printed version simultaneously. This is the only way to make this work in an economical way.

It's cheap. When you do a layout in InDesign, then it's really a piece of cake to do the ePub. So why not convert it into an electronic format and distribute it to libraries after a while. But to make a fuss over it and to invest in marketing to sell e-books, I think nobody in this house would consider this as a rational decision. (Publisher 7)

In addition publishing houses that at the same time run online shops need to invest in a proper website as well as marketing measures to promote the new sales channel. This is especially true for the publishing house that runs *Biblos*.

The reason we could invest is that *Beletrina* is a non-profit publishing house. So any revenue that is left at the end of the year is reinvested into new things. When we had this prosperity period from 2006 to 2009 we could invest that money into it.

## (2) Revenue Streams

The main income from digital products is derived from e-lending and sales through *Emka*. Especially *Biblos* has opened up a new, albeit small, revenue stream for publishers while selling e-books generates an even smaller amount of money. Even top titles that sell well in print do not sell that well as a digital product, meaning that e-books can hardly sustain themselves financially.

If we had to pay for the conversions the same amount as we get subsidies, we would probably recover the costs, but I am not sure any surplus would come from it. So now that we get subsidised for the conversions it's just our profit. (Publisher 6)



Publishers mostly transfer their pricing strategies from print to the online world by pricing e-books similar to paperback editions to make up for a low number of buyers.

We don't want to destroy our price and pricing strategy for printed books. We still believe that we are going to live on printed books for a long time in the future. The prices of printed books are relatively high in Slovenia, but this is understandable because the market is so small, the print runs are small and the fixed costs are the same as in for example the UK and so of course the prices have to be higher. (Publisher 7)

Nonetheless they cannot survive from selling books to end customers alone. Hence the interviewees rely heavily on income from library sales as well as subsidies, which at the same time limits their innovative capabilities. "People do not buy. And we have to decide how much we would like to invest and if we can sell enough to cover the costs." (Publisher 2). High e-book prices are problematic, however, as readers can find cheaper digital reading material elsewhere. Hence the high prices in combination with a limited choice of available titles hinder the growth of the e-book market. Only Publisher 5 is currently experimenting with lower e-book prices. Whether this strategy will produce higher returns cannot be forecast at this point.

Another part of the revenue model for digital content seems to be the delay in e-book production, because publishers can make more money from selling the printed version than from loaning e-books. Publishers usually publish a hardcover edition for libraries, paperback edition for the consumer market and then later the e-book version. Furthermore some interviewees started selling books directly to readers via own online shops, which is a steadily growing source of income for most. It must be noted that different models exist (e.g., book clubs, opening up the online store for other publishers, including digital products) thus adding to the diverse distribution network. Finally other sources of income, like for example crowdfunding, do not seem to play any role. "I think Slovenia is too conservative for crowdfunding. But maybe that will change." (Publisher 5).

### Value Creation Process

Overall running a publishing business has become much easier according to the interviewees. Especially cloud-based technologies allow businesses to streamline activities and reduce overhead costs. In general publishers in Slovenia focus their business activities around authors and supporting them to earn a living. The following sections investigate how publishing houses are adding value for readers, authors and the industry at large.

#### *(1) Key Resources, Activities & Competencies*

As digital content does not play a big role for publishers' revenue, the focus is mainly on print centric activities and competencies. Especially small publishers can only afford to spend little resources on establishing e-publishing practices, thus they need to balance two entwined infrastructures.

Luckily digitisation is available at reasonable costs to almost everybody. Furthermore Slovenian users still prefer the classical book form, so for now we don't have to worry about the book becoming extinct. It's wise to learn about digital forms and new technologies, to use them in a moderate way, but to stick to the core business as well. (Publisher 13)

As the technicalities of producing an e-book file are not complicated and affordable due to open source software, most publishers convert those files in-house. Consequently e-books are now an automatic part of the publishing process for most interviewees. It can be assumed that this is in parts due to a limited number of e-book shops. The Slovenian book industry agreed on the ePub format as file format for e-books, which means only one e-book version needs to be produced. This limits the amount of work that goes into the e-book production and distribution. Moreover, interviewees stated that producing e-books in-house has encouraged them to improve their whole production process, which in turn improves the quality of the print books as well. Overall personal interest in technology and their opportunities of the publisher determine how successful a new value creation process is established.

Moreover, publishers need to develop social media marketing skills as well learn the technicalities of how content can be found online.

I realised soon that the goal is not only to publish e-books, you have to get them to readers, and I realised that the way is digital, the internet, websites. I started studying and one thing which e-books and websites have in common is metadata. This is a basic thing. So for two months I was studying like crazy, reading everything and I even wrote an article about how to optimise your internet presence. (Publisher 5)

Those qualifications then impact future hiring decisions. Lastly, technology has increased the pace with which things are changing for businesses, requiring them to adapt quickly. "We had to adapt to new ways of communicating with our clients, selling products online, reading and listening to books online and sometimes present ourselves according to the expectations of the new social media followers." (Publisher 13). Lastly, most interviewees also distribute their e-books themselves, largely because distributors charge quite high shares for the amount of work the distribution actually entails.

Nevertheless some publishers struggled to adapt their in-house processes to incorporate digital publishing practices as some employees had difficulties accepting that internal changes are necessary.

The biggest struggles were changing the mind-sets of some of our key employees and making them understand that digitisation is a new way, that needs to be implemented. [...] The biggest barriers lay in our minds and fears of implementing novelties, the drivers on the other hand was the desire to learn and face new challenges. (Publisher 13)

Furthermore Publisher 1 emphasised that it was difficult for them to find qualified personnel, hence they had to train quite a few people. Moreover, size limitations do exist as small publishing houses have difficulties dedicating time to perform basic tasks necessary for e-book production such as acquiring digital rights.

## *(2) Organisational Structure*

Overall the majority of interviews stated that their organisations have not changed much over the last years. This can be attributed to the small workforce, which limits the options of how to organise the division of labour. Moreover, more and more affordable technology is available, according to Publisher 10, that allows them to efficiently develop digital platforms and organise complex projects. Moreover it is easier today to establish international collaborations.

In general, most publishers did not employ new personnel to take on any of the new tasks of e-publishing.

E-books are just converted on the side when we set the printed books [...]. It is one more operation that people need to do but they just learned it along the way. It is a bit more work with the metadata. We have to provide them, and we have one colleague who takes care of this, but it is not his only work of course. (Publisher 7)

Only *Biblos* needed to employ new staff for their e-lending platform

but otherwise if you look at the editorial staff, we just had to adjust the working process to also get on with the digital products. Because in most parts the production of books looks quite ok and it is similar to the e-production. [...] The major part was my part, the technical part, where we needed to deal with adjustments through the whole process in order to optimise it.

Scarce resources are the reason why most interviewees tend to be overworked and struggle to set up proper publishing practices.

The main problem is infrastructure. It would be necessary to employ someone to take care of administrative things. But this depends on funds. We have some freelance co-workers, because we cannot afford to employ them. So they help only with some things. But gradually, when things develop, this will, hopefully, change. (Publisher 5)

For now most of the interviewees need to do everything themselves, which foremost limits their scope as they cannot afford an agent to sell the rights of their books abroad.

### Value Network

The publishing industry in Slovenia lacks well-functioning structures in certain parts of the value network.

Everything just doesn't make any sense here. If you want to get reviews, you send the book to newspapers and you don't know what will happen with it. It once happened that they reviewed it half a year later. The response of critiques is just too slow. [...] Nobody asks himself, 'What is my part of this book chain?'. And libraries too work for themselves. They are just a separate system from everybody else. They don't belong under the *Book Agency*. So the prices are so high because of them. Because most of the books are bought by the libraries. So we make a price for them and everybody else. [...] We are making two different kinds of books, a hard copy and a paperback. (Publisher 3)

Industry experts even claim that the industry in general is not very cooperative as especially small players feel that they are constantly treated unfairly, which means small publishers rather work for themselves even when faced with disruptions from outside like digitisation.

It's impossible to get Slovenians together. Only when Germans attack us [...] then we get together. Most of us. Not all of us but most of us. But getting together for such an issue, it's not a part of local business culture. (Kovač)

Overall the majority of publishers seems to be reluctant to innovate and sceptical to participate in innovative digital projects of others as *Biblos* encountered. As a result the industry adapts slower to external changes and thus is under a greater threat to miss out on opportunities new technologies provide.

It was not easy to establish a system because we needed to gain all this knowledge, but it was even harder to persuade other publishers to participate. It took us two years to prove that this thing is something with a future and they can achieve something in that field too. This was one of the hardest things to do. It is easier to handle

the technical processes because you are not depending on others. In the market you actually need to educate it first and, in the end, persuade people to run it.

Not trusting other companies to also work in their interest means that collaborations in general are rare as publishers rather establish themselves as cultural hubs by taking on as many responsibilities along the value chain of the industry as they can. Of course having difficulties earning an income from selling books alone contributes towards the diversification of operations of publishing houses. “Somewhere else it would be a conflict of interests but not in Slovenia. So here a publisher can have a bookstore chain, others are printers as well and they are a distributor for others.” (Publisher 6).

### *(1) Competition*

Many interviewees see their strongest competition in the online world in easy access to a larger variety of reading materials in different languages, predominantly in English. This is not only true for e-books but also for printed books as companies like the *Book Depository* and the second-hand book market on *Amazon* are also open to customers from Slovenia. Besides the variety of books available those infrastructures are convenient (e.g. book delivery, online payment) but also provide access to books at a competitive price.

“Digital self-publishing is almost non-existent for the obvious reasons: you cannot sell the books.” (Author). However, publishers are competing with authors who self-publish books in printed form. This seems to be a common occurrence in Slovenia with a long tradition and a well-developed infrastructure that supports those authors (e.g. distributors who cater for those needs). One of the interviewees for example runs an imprint for self-published titles. This is possible due to printing technologies that make small print runs affordable. Thus the interviewee stated that it allows them to try out new voices in the market at a low risk, first with libraries and if the book is successful there also with bookstores. In general some self-published authors even become bestsellers.

Moreover, Slovenian publishing houses also compete with more powerful ones abroad as authors are constantly looking for better opportunities, meaning mostly larger markets, as the author interviewed described.

My general publishing house is in Vienna [...]. And most Slovenian authors are like this. They are not published with some small publisher from here. Some of them are but the majority are published by someone in Austria or some specialized publisher somewhere in Europe. (Author)

Furthermore the small publishers interviewed feel the burden of having to compete in a monopolised market environment where the largest publisher also controls the most important sales channels and thus the access to readers.

If you are in the position of *Biblos* and *MK*, especially *MK*, which is a big company, you have an advantage because they are publishing titles every day. They are huge compared to the other publishing houses. And the size allows them to have a business model where they publish the printed version and the digital version simultaneously. For them the e-version is just another operation. This is especially true for novels. You can produce novels very quickly. (Publisher 11)

The problem is that the market is very unbalanced in a way that this company is huge and there are a lot of small companies with one or two employees, which would be considered almost as a kind of self-publishing company in the UK. So there is a high mistrust toward the big guy. (Publisher 7)

## (2) Partners

According to the interviewees not much has changed in terms of whom they work with as most of them do not outsource much. In cases where they do work with external companies it tends to be in traditional areas of translation, printing, and distribution. E-book aggregators for example are not very common in Slovenia as most publishers distribute the digital files themselves. The only new partners for publishers are *Biblos* who facilitates the e-lending via public libraries and the online shops through which they sell their e-books (e.g. *Apple*, *Kobo*, *Emka*).

Even though the e-book distribution is concentrated in the hand of only two companies publishers stated that there is not a solution to this problem at the moment. "It is a solution that works for now. Otherwise, we would have to invest in our own platform and that would cost a lot of money. It is not an option right now." (Publisher 2). Furthermore now that *Biblos* was able to establish a small market for e-books they now also sell eReaders that have been developed specifically for their lending system. This is again something publishers have not been involved in developing. Thus concentrating the e-book market even further.

Moreover, one interviewee stated that licensing titles to *MK* allows them to reach readers that they never could and thus earn additional income that they then can invest in developing digital content.

Some interviewees mentioned that the book market in Slovenia lacks proper agents that would help them to sell rights abroad.<sup>139</sup> This is mostly due to the fact that Slovenian books do not sell that well, thus making it hard for anyone to earn a living from publishing books abroad.

If I publish a book in Germany I get 1.500€ a month and then the sales don't cover the advance [...]. If the agent took 20% that would be 300€, he needs to do ten contracts like that a month to support himself without any additional costs. So it's not so easy. But this is slowly, slowly going to happen now with Slovenia being the guest of honour in Frankfurt. (Author)

In terms of marketing publishers now also rely on social media platforms to communicate their offerings to readers. In addition online magazines become more important too. Moreover, not many interviewees outsource the production of their e-book files, hence only a few publishers work with new production partners, mostly from India, or with already established partners like *Biblos* or *MK* who also offer e-book conversion services to publishers.

#### V.2.4. Policy Frameworks and Funding for the Publishing Industry

##### Taxation

As in other countries Slovenian publishers lobby for the VAT on e-books to be reduced from 22% to 9.5%. If the decision of the EU to allow for a reduction of VAT on e-books will influence sales needs to be examined in the future. At the point of writing, Slovenia had not yet amended their policies to allow publishers to lower the VAT on e-books. It can be expected that the lower VAT will at least make e-book production more profitable and therefore more attractive for publishers.

Moreover, publishers do not have issues with paying VAT in other countries, as they do not sell e-books abroad. *Biblos* is the most popular channel for people from abroad to access e-books and here the new VAT rules do not apply as those customers only lend e-books instead of buying them.

##### Copyright, IP Exploitation and Piracy

Publishers named the costs involved in securing the digital rights for their backlist titles, especially for translations, as one of the largest obstacles in publishing more e-books. As e-book sales are still insignificant, even though libraries have now started to purchase

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<sup>139</sup> Slovenia will be *Guest of Honour* of the *Frankfurt Book Fair* in 2022. Many publishers are hopeful that this will help to establish a professional publishing infrastructure with agents who advocate for Slovenian literature abroad.

e-books regularly, publishers are hesitant to invest into digitising the backlist, as they are not able to break even and recoup the costs involved in the e-book production. High VAT rates on e-books further add to the challenge. Thus financially backlist conversions do not even make sense for Slovenia's largest publishing group:

We did a calculation of the costs to convert all the books which we had as PDFs in our digital archive into proper e-books. I figured out that we would need to do around 8.000 contracts from scratch just to be able to publish these e-books. And these e-books would earn almost no money for the authors, because they are not likely to become bestsellers, even for Slovenian standards. So it would mean just making books available. But making 8.000 contracts in two years, this requires one or two extra employees and that is 40 to 50.000€ just to pay these two people and then you have to pay the authors [...] and the editors. It's really a complex issue. It is not just a technological one; it is also the issue of legal settlement. And then another problem is that out of these 8.000 contracts more than half, almost two third, were translations. So you have to talk to the agents who have no understanding why you don't want to pay anything for converting their precious books into a digital format. They usually want at least 500€ and if you then sell three copies and you have to pay the agent, this means the cost is more than 150€ per title. It really doesn't make any sense.

Another issue regarding copyright are cross-border sales of digital goods. Customers from Slovenia are not restricted from buying printed books from *Amazon's* various online stores, but experience difficulties when they want to download e-books from certain countries.

With the printed book nobody checks where the book travels. But with e-books it's a problem because I can buy any printed book on *amazon.de* [...] only e-books cannot be delivered. And my guess is that this is a kind of rights issue. Perhaps the contract with the author is that they can only sell e-books to the German market. (Kovač)

Hence even though e-books can potentially travel across the world, certain restrictions seem to exist, which limit their reach. This also means modern copyright legislation is needed, so that readers all over the world can profit from what is technologically possible: a global marketplace for books without national borders.

Moreover, since e-book loans through public libraries are increasing, the remuneration of authors needs to be addressed. The *Public Lending Right* supports authors financially whose books are made available in public libraries; however, this right has not been extended to authors of e-books which are offered for e-lending. This makes e-books even less attractive for authors, as they do not earn money from the e-lending that has been established recently.



Lastly, publishers are concerned about the level of piracy in Slovenia especially as there is no real prosecution of offenders, which resulted in piracy being a widespread occurrence in the market and not only for books but for other media too.

Piracy is a modern problem and we are well aware of it. There are some European states that take this matter seriously, Slovenia doesn't. There is still much to do. We take precautions and try to protect ourselves, but without a systematic online protection, that is led by the government, there isn't much protection. (Publisher 13)

The widespread solution is hard DRM for e-books to protect them from piracy, as the person responsible for *Biblos* argued: "This is one of the reasons why publishers participate, because they still are afraid that their books are getting into the market for free.". But in general most interviewees understood that there is no real guarantee that e-books will be safe from piracy. Some interviewees even regard piracy as something positive, a means to create further visibility for their content. "I realised that *YouTube* didn't kill the music industry, it helped the music industry. [...] Even pirating helps the artists. They get visibility." (Publisher 5).

### Fixed Book Price

Book prices are fixed for six months from the date of publication, which also affects the e-book pricing. In general publishers are satisfied with those measures as a way of strengthening the few remaining independent bookshops in Slovenia (Publisher 10). The *Minister of Culture* only introduced the fixed book price in 2014, so the effectiveness of this measure is still impossible to analyse. "The minister was also quite worried that *Amazon* might come and destroy the market with low prices and that's why he introduced this law. And I am quite happy with it." (Kovač).

### Support for the Publishing Industry

Operating in a small language market with a limited number of potential customers means that the vast majority of publishing houses cannot survive without public funding. Moreover, as stated before, the readership in Slovenia is reluctant to pay for books, which means the government sees a need to support the industry further. Overall three different forms of direct and indirect public funding exist.<sup>140</sup> The *Slovenian Book Agency* (*JAK*) subsidises the publication of Slovenian literature with around eight Mil. Euros of direct funding for publishing houses each year (Blatnik, 2014, p.38).<sup>141</sup> Secondly, public

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<sup>140</sup> The *JAK* as well as the government do not disclose which publishing houses receive funding. Moreover, detailed figures of the amount of subsidies for each publishing house are not publicly available either. Hence the following analysis had to rely on information disclosed in interviews as well as articles published by industry experts.

<sup>141</sup> Approximately 400 titles are funded directly each year, thus publishing houses receive around 20.000€ per title (Blatnik, 2014, p.38)

libraries receive around eight Mil. Euros each year to buy new books published by Slovenian publishers (ibid). Hence almost all new editions published by Slovenian publishers are being bought for the library collections, hence the state does not only subsidise the book production but also the demand side, meaning publishers receive support twice. They receive subsidies directly to produce books and indirectly through guaranteed library purchases. “These subsidies for libraries [...] are to actually subsidise the distributors because they make most of the sales to the libraries.” (Publisher 6).

Lastly the VAT on books is reduced, which allows for lower book prices and represents another indirect way of government support.

Overall publishers criticised the subsidy granting process of the government. Especially not being able to plan long-term as well as a time-consuming application process seem to be a problem for small publishing houses.

It is not very transparent how it works. In fact the problem for us is we don't know whether we can count on this money each year or not and how much money we will get, because there are some books which cannot be published without subsidies. You cannot sell more than 300 to 500 copies of a book written by Slovenian authors and this is not profitable. We should get a grant or a subsidy. But the problem is the government decides each year at a different time whom they will give money to and how much money they will give and when we will get it. This is a problem.

The system has been improved recently, however. The author, for example, described the old funding practices as resembling “political favouritism”, whereas now the system is transitioning towards a more democratic way of funding literature.

It was very strange because you sent a list of maybe 20 titles to the ministry and then the ministry said, 'Okay we'll subsidise this, this and this', so they made the final choice. It was very centralistic. [...] Whereas now you send a list of maybe 30 titles and they say, 'We'll support 22 titles', that's the highest number they fund. They say, 'You have a good programme, so we'll support 22.' or 'Your programme is not so good, so we support six, but you choose which six'. It's better now. (Author)

As the *JAK* decides on an annual basis, the government indirectly still has a say in which titles are being published. The author interviewed does not find this problematic. “This makes some sense, because this way they can decide whether to support more Slovenian authors or more fiction or more translated authors. It's a way to make cultural policy.”

Another critical voice argues that the funding practices do not encourage publishers to publish for the consumer market. As books are already paid for by the government, publishers do not need to sell any copies to break even. This in turn means that publishers

tend to not care too much about selling books and for that matter publishing books that readers want to buy. "I think the way how the literature is financed is not encouraging people to write books which somebody will actually read." (Publisher 3).

Furthermore bookshops receive funding to buy books as well. "To get funding for the bookstores, for the program, you have to present at least five other publishing houses in your bookstore." (Publisher 3). Thus all entities along the value chain receive financial support from the government, which does not encourage innovation within the industry but instead reinforces the established structures of the market. "It's just that everything is now paid for by the government. Nobody asks himself or herself why am I doing this in such a way?" (Publisher 3).

Moreover, the public library funding practices have caused debates about the aim of public funding, as the most popular books are international bestsellers as well as romance novels, which thus are being bought in higher quantities by libraries. The amount of money spent on those books exceeds the amount spent on Slovenian literary fiction and non-fiction.

Why support this with public money? [...] The book, which was sponsored with the highest amount of public money, was the '*Da Vinci Code*', which was bought in thousands for the library users. I am not sure whether it makes sense that the state sponsors a library online system, which will very likely become the main distribution channel for electronic reading of romances. Why don't leave this to the market? (Kovač)

On the other hand, encouraging libraries to buy books that no one wants to borrow seems also not a viable option and in turn opens up debates on the quality of books being subsidised.

I've been to a seminar a couple of years ago and the librarian there said that they don't want to buy so many subsidised books, which are supposedly best quality, because people don't want to read them. It's a waste of space and money. Of course people in general think that too much money is spent on culture. We working in this field think that it is not nearly enough. Everyone is somewhat critical. The thing is it's a delicate structure and if you take one part away, everything collapses, and everyone is afraid of that. I mean what would I do if we didn't get the subsidies next year? Nothing, I guess. (Publisher 6)

Moreover, the *JAK* subsidises the e-book conversion (mostly of books which are already subsidised) as well as the libraries buying those e-books. This is not without controversy as some interviewees strongly oppose the current funding practices.

They fund the conversion into ePub and they finance all the buying from *Biblos* through the libraries. And you know what libraries are buying from *Biblos*? Shitty novels and now we are throwing away the government money for some very cheap novels. Why do it? The e-book trade is primarily for the end user, for the buyer. If the buyer will not support it, why should we do it? (Publisher 11)

Hence the question remains whether current publishing support is rather a misallocation of taxpayers' money, as it encourages publishers to publish e-books for which hardly any buyer exists. Kovač, therefore, suggests to subsidise the conversion of out of print titles instead and then offering them for free to cater for the preference of readers for cheap content (Kovač et al., 2015). Publisher 3 agrees with this sentiment, as digitising the backlist comes with many costs that do not make the conversion economically viable for publishers.

To conclude, there is a worrying level of dependency on the *JAK* for survival by most small publishing houses. Even though the funding system has been improved over the last years, the government indirectly still has a say in which books are being published and thus which publishing houses are able to survive. As some interviewees stated, the funding system results in publishing houses being less bold in their publishing choices. Moreover, a better way of supporting the industry as a whole would be more funding for the infrastructure itself.

I suggested to our Minister for Culture not long ago is that they should make more efforts towards the market itself. They give the money to a publisher to publish the book. From there on they don't do much. And that is equally important. [...] If you get the funding, the books then are sent to the bookshops and often they just sit there, because people, the booksellers, know that these books usually do not sell very well. So they don't make the effort to change this. And that is a real problem. (Publisher 7)

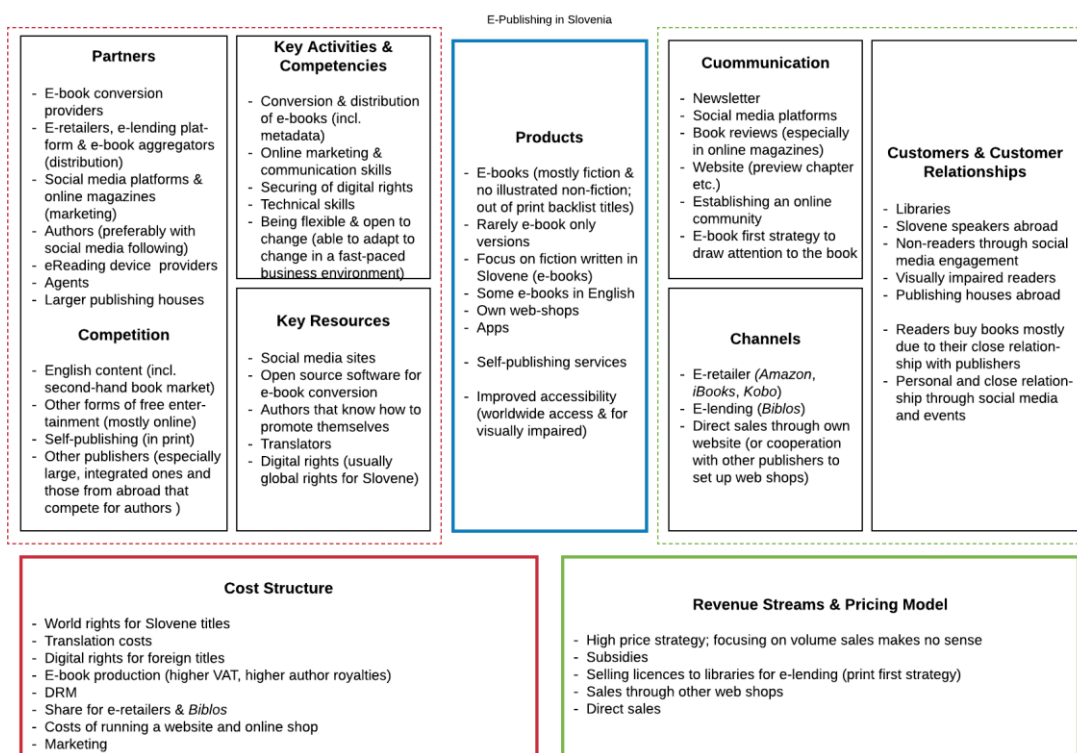
Some interviewees also stressed the importance of European funding as well as subsidies from abroad for translations. "It is easier to publish foreign authors because you can get more money from other countries and from our book agency." (Publisher 3). Moreover, size seems to be important for the ability to reach a wider audience through translations.

It is really hard to get an English translation. It's even harder to get it translated or published by a publishing house that matters. Loads of smaller publishing houses publish them because the Slovenian government pays for everything [...]. And that is why smaller languages or smaller publishing houses decide to publish Slovenian books. And then they end up sitting somewhere on the shelves and nothing happens with them because they just do it for the money. (Publisher 3)

## V.2.5. Summary – E-Publishing Practices in Slovenia and Policy Debates

Digitisation has had only a small impact on the BMs of small publishers in Slovenia (Figure V-3). The most notable innovation has been the launch of the e-lending platform *Biblos*, which only recently created a proper, albeit small, market for e-books and thus encouraged publishers to start expanding their offerings. Moreover, creating a digital market for lending instead of buying e-books takes into consideration the preferences of Slovenian readers and demonstrates the importance for the market context for successfully encouraging digital publishing. It must be noted that Slovenia is too small, however, to sustain an e-publishing market on its own, thus the state subsidises the production and purchasing of e-books through libraries. Moreover, the power dynamics of the analogue world were kept intact in the digital world, further contributing to the market concentration by strengthening the existing dominance of a few players. The involvement of the state as well as the large publishing houses and libraries can be seen as a response to the complex strategic challenges of the book market and the threat of competition from international e-book providers, thus as a cultural measure to create a market for e-books in Slovene. Hence the lack of disruption from the outside, especially due to the absence of *Amazon*, has created an opportunity as well as necessity for innovation from within the industry.

Figure V-3: E-Publishing Business Model in Slovenia



Nonetheless, *Amazon's* influence on the publishing industry in general is increasingly felt in Slovenia too. Due to a lack of choice in digital reading materials, readers have started to look for content elsewhere. This is not restricted to *Amazon* but due to its extensive catalogue of affordable content it can be assumed that the platform's popularity will further grow among Slovenian readers. Moreover, a lack of Slovenian authors specialising in genres such as crime and fantasy, genres that are particularly successful in digital form, is seen as a reason why publishers are faced with stronger competition online. Slovene slowly loses its protective power as infrastructures are in place, established by international corporations that offer easy access to cheap English content paired with a growing readership proficient enough in the language to read books in English.

Furthermore the small size of the market in combination with the undercapitalization of small publishing houses stifles innovative capabilities. Digital publishing is not a priority for future investments and decision making as small publishers focus on survival, which mostly means looking towards the state for subsidies for non-commercial titles and publishing books in printed form with as little resources as possible. The only areas where publishers saw potential for innovation are low cost areas such as online marketing, online communication and experimenting with distribution channels that are inherently global in their orientation. Thus allowing small publishers to circumvent the limitations and potential discriminations of a concentrated bookselling infrastructure by accessing a wider audience, particularly when also offering English translations. Overall small publishers see the opportunities mostly not within the Slovenian book market but by looking outward and establishing international connections and cooperation. At the same time small publishers are unable to fully take advantage of those possibilities as their smallness means they are constrained by their available financial and time resources.

Nonetheless the publishing industry still has a very traditional self-concept as it places high value on the book as an object and publishers see themselves primarily as providers of those objects which is mirrored by the majority of book buyers' preference to pay for the object rather than for content. This means publishers in Slovenia focus on the container instead of providing content irrespective of the mode of dissemination. This also resulted in digital products being financially viable only when the physical product is produced at the same time.

Moreover, historically with a root in a communist past a less capitalistic oriented approach to running a business still prevails. This results in a mistrust of governmental organisations and powerful businesses paired with a 'do it yourself' attitude. Working around the established structures and an emphasis on culture, preserving languages and exchange with others internationally outside the market economy that attaches a

price to culture and knowledge is the main motivation for most interviewees to innovate. Furthermore focusing on doing things themselves and an overall less cooperative business culture explains the low degree of outsourcing within the industry. Digitisation now reinforces those structures. Especially micro publishing houses with one or two staff do not outsource much, which is surprising as those are the businesses that would profit the most from outsourcing due to their time constraints.

Lastly, the fact that Slovenian publishers publish an above average amount of books per capita each year in comparison to other European nations has instigated a debate on whether subsidies have passed the point of being helpful. In addition, heavily subsidising the digital market has further raised questions about whether taxpayer money should be used to support mass market fiction in digital form or if this should be left to the market.

### **V.3. Summaries of Findings**

#### **V.3.1. Comparison – E-Publishing in Austria and Scotland and Policy Debates**

The publishing industry in both markets has gone through changes over the last years because of digitisation. Technological advancements and the spread of the internet has affected Scotland more than it has Austria. At first glance this is notable in the larger variety of product innovations and routes to market Scottish publishers utilise to address new and old audiences. Moreover, the market share of digital products is larger in Scotland which can be attributed to them being priced much lower but also to a larger market thanks to a continuing rise of English proficiency around the world. The fixed book price in Austria has been credited to encourage a higher price level in general and as a result is seen as one of the reasons for the lower share in e-book sales when compared to Scotland as the willingness to pay for digital products is low.

The approach to publishing is also different in the two countries with Austrian publishers focusing mainly on their home market while paying less attention to the possibilities of e-publishing to reach a wider audience. Even though they notice that especially online selling generates additional visibility for them that results in extra sales, most publishers, however, do not dedicate many resources towards targeting the wider German-speaking market online for example. The main reason for their hesitation is the uncertainty whether additional sales will be able to recover the extra costs involved. This is paired with an overall lack in commercial titles that can be marketed to a wider German-speaking audience, thus most publishers only survive thanks to subsidies or as part of larger publishing groups. Whereas in Scotland publishers are much more outward looking in their approaches, trying to reach as many readers across the world as possible. This is also

visible in the lists publishers are building, which are more suitable for a general audience or for very specific niches that publishers can now target more easily thanks to the internet. In Austria some publishers too have successfully established themselves within a niche and reach a wider audience abroad thanks to it. This appears to be true particularly for non-fiction titles. Overall publishers seem to profit from a dedicated approach to publishing, meaning publish less titles better.

In terms of distribution channels, the German-speaking market is more diverse possibly due to the fixed book price and overall collaboration in the book trade. Hence, with the *Tolino Alliance* the large booksellers tried to transfer the structures and power dynamics of the book trade to the online space. However, here *Amazon* is increasingly becoming more dominant too thanks to its customer centricity and focus on convenience. In Scotland *Amazon* has already a more dominant position in the market. Hence publishers in both countries would like to sell more books directly to circumvent the struggle for visibility on- and offline along with not having to give away high margins to booksellers. This is not easy as *Amazon* changed the expectations of book delivery among customers, making it hard for small publishers to compete. It seems that publishers with a manageable amount of titles in print and easy access to an established readership are more successful in selling directly. So are those that are part of larger publishing groups with more resources to dedicate towards establishing a direct sales channel.

Overall e-publishing progressed more quickly in Scotland thanks to the larger language market. Now, however, Scottish publishers increasingly struggle to find opportunities online as the market matures and English-language content has a harder time standing out, whereas in Austria the opportunities of e-publishing are not fully taken advantage of as publishers do not seem to see them as such. This is especially true for social media. Scottish publishers find it increasingly challenging to be visible and to connect as especially advertisement on those channels is becoming more expensive, so is visibility on e-retailing platforms. Thus at the beginning digitisation offered advantages to small publishers because they were able to respond quickly to market changes whereas now mainly young, entrepreneurial publishers are working around those limitations and finding new ways to connect better with their audiences as Publisher a demonstrates. In Austria Publisher E has, moreover, shown how effective including authors and their online following is. At this point creating communities of fans, adding value with content that is given away for free, and establishing oneself as a brand or expert in a field is still an opportunity of e-publishing for small publishers. Furthermore the research found that attitudes of publishers are a very important factor in how well publishing houses adapt and utilise the opportunities of digitisation. Especially newly founded publishing houses



without established structures and professionals without a traditional publishing background use social media better and demonstrate that dedicating time and resources to this area of publishing pays off financially. This is also true for young professionals joining established publishers to focus more on online marketing.

Furthermore the advantage of networks and larger publishing groups was stressed in both countries as a way of efficiently sharing resources and thus reducing overhead costs. On the other side running a publishing house is much easier today as digital technologies allow to organise work in a flexible way. As a result most small publishers outsource (e.g. production and distribution) to focus on core tasks. Scotland in particular has a collaborative business culture in publishing that proceeds in e-publishing whereas in Austria publishers would like to see more cooperation. An added benefit of outsourcing is that publishers profit from the specialised knowledge of service providers for example about different file formats, devices and metadata requirements.

In terms of policy debates publishers in both countries appreciate the support the industry receives and did not feel there was much that needs to be changed. Subsidies and funding practices by the respective governments are the area where publishers saw most room for improvement. Especially Austrian publishers rely on government funding and wish that more money would be spend on publishing houses and reader development in schools. Scottish publishers on the other side are more self-reliant, possibly due to funding being project based and infrastructure focused (e.g. training events), which encourages them to be more self-sufficient and publish more with the market in mind than Austrian publishers. In general publishers in Austria were more worried about the decline in readership compared to Scotland and therefore asked for more investment into supporting younger generations in reading literature.

Lastly the fixed book price was mentioned in both nations. Austrian publishers evaluated it positively while Scottish publishers repent that it was abolished. In Austria the fixed book price is seen as a measure to limit *Amazon's* market power and to safeguard a more diverse distribution landscape. Overall *Amazon* seems to profit from the fixed book price, however, as they can demand higher shares from publishers thanks to their wide reach but at the same time do not have to discount the books like they do for the Scottish market.

### V.3.2. Summary – E-Publishing in Major Language Markets in Europe

Even though digitisation allows publishers to access a wider audience more easily thanks to them publishing in languages understood by a larger number of individuals, English seems to be the dominant one online. Therefore digitisation offers more possibilities and

advantages to publishers and authors publishing in English. As the two case studies show, literary fiction, however, specifically for the nation it originates from does profit the least from e-publishing and a potentially wider audience abroad. Thus two markets are evolving: publishers focusing on publishing for the home market supported by subsidies, and those that publish predominantly for a wider audience with the help of digital technologies and most successfully in English or mixing lists to cross subsidise literary fiction and nation specific non-fiction. Overall the advantage of e-publishing according to the interviewees is having an additional sales channel that moreover does not discriminate according to size and therefore allows small publishers to put customer preferences at the centre of the business.

Furthermore SMEs in large language markets profit on one side from their smallness as they can innovate more quickly and digitisation, therefore, becomes an advantage especially when technology is used to enrich products. Moreover, small publishers are more likely to bring fresh ideas to the market and create value for their authors that way. On the other side they are undercapitalised and struggle especially with marketing and the promotional side of the business. Thus small publishers tend not to exhaust their full potential (e.g. market share growth is limited). Here the author involvement is crucial due to limited financial resources available for marketing measures. In addition they need to be more selective with the titles they publish. Overall smallness seems less of a limit for non-fiction publishers whereas fiction publishers still feel disadvantaged because of their size; digitisation has not changed that.

To counterbalance those limitations (e.g. lacking competencies, lack of resources for technical investments) and to compensate for the lack of proper workflows partnerships within the publishing industry are becoming more important for small publishing houses. Collaborations among small publishers are, moreover, helpful to counterbalance the consolidation that is prevalent in the industry. Furthermore, it allows them to invest more in infrastructure and thus to reach a larger audience. Moreover, forming loose publishing groups can be an advantage for smaller publishing houses especially when these collaborations allow publishing houses from small nations to access other markets with the same language more easily. Publisher L for example can thus operate in different segments and experiment with novel digital products (e.g. an app for short stories) as the network of imprints and shareholdings allows for economies of scale as well as easier access to the wider market thanks to better visibility and a better understanding of the specifics of each market. In Scotland this can be seen in the successful forming of alliances to share promotion costs. A prerequisite for the success of those partnerships and publishing groups is, however, that the single entities stay independent in their publishing

decisions and only share resources. That way the advantages of both worlds (local market knowledge and more resources) can be combined.

In general the continuing democratisation of book publishing is seen as the biggest advantage of e-publishing by small publishing houses as particularly content dissemination is becoming a more level playing field. Publishers can now offer their books (e-books and printed version) via online channels where everyone has the same amount of space. As mentioned during the interviews, this is a great opportunity for small publishers who before had difficulties convincing bookstores to stock their wares and be visible in the shops. Now the books are available worldwide and easily findable online. Nonetheless the online marketplace is becoming increasingly crowded, especially in English, thanks to an increase in publishing output. Therefore keywords become very important for the discoverability of books, which is especially a chance for niche titles. In addition the backlist becomes more important as a source of additional income since these books get a 'second chance' online. However, the online distribution of content in publishing follows the traditional model of book dissemination in the analogue world. It replicates old structures and thus involves more parties than would be necessary. It is mostly newer publishers who do not feel any particular allegiance towards bookstores and the wider book trade or publishers driven by economic considerations who offer direct sales via their own websites and experiment with new ways of engaging with their audiences. It has to be taken into account, however, that the size of the publishing house could be a determining factor here as direct sales become uneconomically the larger the SME becomes until a size is reached where the logistics behind the direct sales are manageable efficiently again.

### V.3.3. Summary – E-Publishing in Small Language Markets in Europe

Even though variations in the structure of European book markets exist along with differences in book cultures, some similarities among small language markets can be found. Firstly, small language markets in Europe have the advantage that they are small enough to detain *Amazon* from fully entering their markets.<sup>142</sup> Even though readers can still use some of the services provided by the e-retailer, and an increasing number are doing so, at the same time local distribution platforms are better positioned to cater for the specific needs of the markets. Thus those players are more likely to succeed. This is especially true for markets like Slovenia and Sweden with a strong preference of readers for e-lending through public libraries (Bergström et al., 2017, p.212).

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<sup>142</sup> *Amazon* has opened six online stores in the major markets of Europe (UK, DE, ES, FR, IT & NL).

The need to establish their own infrastructures for digital content dissemination to encourage publishers to produce content for those platforms in local languages has resulted in further vertical and horizontal market concentration (e.g. publishers becoming booksellers). This is a logical consequence of small language publishing as the costs involved in setting up a proper e-publishing infrastructure for a rather small market are only affordable for financially strong players.

Overall publishers in small language markets are more hesitant in their efforts to make content available in digital form, which can be attributed to comparatively high production costs combined with low digital sales, making it difficult to recoup those investments. This is for example a reason why Slovenian publishers are only slowly digitising their backlists. On the other hand this results in fewer choices for readers in their native languages, which means that especially younger readers are more likely to look for content online in English and hence get accustomed to content markets and infrastructures outside their home markets (e.g. Colbjørnsen, 2014, p.79; Bergström et al., 2017, p.216). This trend is, however, impossible to quantify due to global e-retailers not sharing their sales data.

Lastly those market size limitations mean that digital publishing does not open new markets for small publishers as it does for publishers that can access larger language markets like it was seen in Austria and Scotland. Consequently many small publishers rely on subsidies (either direct or indirect), which is especially true for publishers of non-commercial literature (Rønning and Slaatta, 2012, p.113). This is not only visible in Slovenia but also in Scotland where Gaelic publishing only survives due to funding through the *Gaelic Books Council*. The only way for publishers to relieve themselves from the dependence on state funding is an outward facing strategy: selling translation rights and in general making the most of their IP and through this enlarging the limited market for books in their home markets. This requires appropriate list building, however, as not all genres lend themselves for digital exploitation or travel well.

#### **V.4. E-Publishing in Small Nations in Europe: A Comparative Analysis**

Digitisation continues to change the publishing industry in Europe. The research presented here indicates many ways in which digital technologies and the internet can be utilised by small publishing houses to create sustainable businesses and add value for content creators and their audiences. For example digital technologies made the print production process more flexible by lowering the costs and thus enable publishers to experiment more with less risk (e.g. smaller print runs to test content in the market).

Online, dedicated publishers are establishing ecosystems for conversations and exchange with the interested public, encouraging loyalty among customers. This is particularly true for professionals new to the industry who join incumbent publishers and encourage inter-entrepreneurship as well as individuals without a traditional publishing background but with an entrepreneurial mind-set who take risks and set up businesses that capitalise technological change better than established publishing houses can. This is due to them lacking a legacy established and perfected for print publishing, meaning established ways of working as well as mind-sets focused on how things have been done. All three case studies demonstrate that innovation can be found on the fringes of the industry, from those unsatisfied and struggling to survive in the established structures and those that do not receive subsidies. They have no choice as to innovate as Publisher 5 argues for the Slovenian case. Moreover, as their home markets are limited in size, small nation publishers cannot support themselves by solely publishing for their home markets, they depend on digitisation to help them to expand internationally (e.g. experimenting with selling English translations themselves).

#### V.4.1. Impact of Digitisation on Small Publishing Houses - Business Model Innovation

In general, the BM framework was used to obtain a holistic understanding of how small publishers in different markets in Europe approach digital disruption and innovation and also how the markets themselves influence these processes as well as the impact of global forces such as the spread of English proficiency and an increasing market concentration. Thus the BM allowed an analysis of the responses of publishing houses on the firm level and the industry level where publishers are embedded into the value network. Lastly it enabled the research to look at how small nation publishers react to powerful global entities like *Amazon*.

For example the cases suggest that online the book consumption moves towards larger language outputs due to the significant product variety available and overall lower prices. This is especially noticeable when publishing in English as not even German as a large language market is safe from English competition. It also means that digital products make most sense financially when published in English whereas when published in other languages they are economically viable only when the print version is produced simultaneously and in the case of Slovenia only when the production is subsidised due to smaller market shares of digital products. Hence in Scotland digital and e-book only products are more successful thanks to a larger customer base and lower priced digital products. Furthermore small language markets like Slovenia are confronted with competition from larger and more capitalised entities abroad as language offers less and less protection as English proficiency increases. At the same time English-language publishers struggle

with the competition from an increase in publishing activity in English. Besides publishers in all three nations find it increasingly difficult to compete with other forms of entertainment online, especially when such entertainment is easy to consume.

Moreover, literary fiction continues to depend on subsidies. This is less prevalent in Scotland where publishers have mixed lists that are better suited to cross-subsidise cultural production with commercial output. Furthermore this is supported by funding practices in the UK that encourage self-sufficiency of publishers more than those practices in Austria and Slovenia. On the other side publishers increasingly focus on 'boutique publishing', meaning the book as a beautiful object becomes more important as a counterbalance to digital products and as an incentive to buy the object for a price premium thus further supporting the cross subsidising of digital innovation. This presents a chance to balance out the revenue streams in the digital sphere where consumers prefer cheap content and is particularly successful in nations like Slovenia with a preference to pay for the object itself.

Overall the most opportunities of e-publishing in a wider sense present themselves for non-fiction publishers even though the e-book share of this genre is typically small. This is particularly prevalent in online marketing, an area where small publishers see the most advantages. Here digitisation serves as a driver for convergence as lines blur further between marketing, products, and distribution channels. Literary fiction on the other side is still very print centric and therefore does not lend itself well for online marketing. However, social media channels are no longer as cheap and effective as they used to be thanks to an increase in user numbers and shared messages, especially when looking at English content. Nonetheless dedicated publishers still see an advantage when establishing conversations with their audiences. Hence most publishers would like to invest more into those channels but are constrained by time. Furthermore author involvement is increasingly crucial for the success of online marketing and a deciding factor when publishing houses look for new authors. Finally most established publishers lack the skills of optimising their websites to make them customer friendly and easily findable through search engines (e.g. SEO). Many interviewees also felt unsure about their online marketing and communication skills in general.

Furthermore the case studies have shown that the internal processes and organisational structures remain rather unaffected by digitisation. As micro publishers are mostly run in an unstructured way, e-book production has improved the overall quality of books as those publishers needed to establish proper workflows to produce adequate files for e-book production. Furthermore Slovenian publishers mostly chose in-house production over outsourcing, potentially due to less developed e-publishing infrastructures and a

less cooperative business environment. This in turn means that e-book aggregators are a new part of the value chain in Austria and Scotland.

In terms of e-retailing the power dynamics of the analogue world mostly stay the same. Thus a trend towards monopolies and concentration can be observed online either in form of global e-retailers or powerful local players catering specifically for the small market. Moreover, the online market for digital products flourishes in English whereas offerings in other languages depend on local initiatives that are able to cater for more specific needs (e.g. *Biblos*, *Tolino*). Nonetheless global e-retailers like *Amazon* become more dominant in non-English-speaking markets too but their role is still different in markets where they do not support the language. As soon as *Amazon* enters a market, however, the competition is fierce as can be seen in Austria with *Amazon* increasing its share continuously. Despite online channels being more democratic, smaller publishers start to struggle for visibility as a result of market concentration in the hands of a few powerful players and especially in English-speaking markets where the number of books available increases more quickly than in other large language markets. Hence small publishers in all three nations experiment with ways to circumvent those players due to unfavourable selling conditions.

In terms of pricing, Scottish publishers are the ones that tend to price digital products lower in comparison to publishers in the other two nations. This could be due to prices being fixed in Austria and Slovenia which results in a higher price level in general. Moreover, a smaller customer base makes selling high volumes of a title more difficult. Nonetheless it seems that high prices for digital content and hard DRM hamper the growth of the e-book sector. Moreover, the reluctance of customers to spend much money on digital products means that publishers in the two nations do not experiment with price promotions or with other forms of generating income apart from selling products. For example only a few publishers use low priced e-books as a form of marketing. An overall small market share of digital products and the fear of cannibalising print sales were named as the primary reasons for the lack in innovation here. Another explanation could be that most titles published in Slovenia and Austria do not appeal to a mass market. The Scottish case has demonstrated that selling high volumes online is key for success and is only achieved when targeting either the mass consumer market or larger but very specific niches.

In general large investments into digital innovations are feasible mostly when small publishers collaborate with each other and form groups. This is particularly important for non-English speaking markets where the overall number of potential customers is smaller. Small publishers that are not part of a larger entity on the other side focus on innovations

in low-cost areas such as online marketing. Hence collaborations will become more important to counteract monopolisation online as the internet supports concentration. Thus collaborations allow small publishers to overcome resource restrictions and foster knowledge exchange (also across borders). Collaborations and outsourcing are, moreover, important as small publishers find it hard to stay informed about technological advancements like new formats and devices that require decisions about future investments. Here outsourcing seems to help to acquire insights from knowledgeable partners at a low cost.

Lastly, the findings show that the history of the nation itself and with it the role of the book in the respective societies still shape the book markets and how publishers address technological change. For example Slovenia has a tradition of self-publishing in print that continues today and a strong library lending tradition. Also Slovenes place a high importance on the book as a physical object, resulting in them being less willing to pay for digital content and publishers investing more into print products. Hence one reason why e-publishing in Slovenia develops slower than in other markets. Whereas Scottish publishers form a general collaborative market environment that is not as common in Austria and Slovenia where other entities are rather perceived as competitors than as partners. Moreover, the book culture of a nation (incl. legal frameworks) cannot be ignored when looking at e-publishing and thus findings from one market cannot be applied to others without caution.

#### V.4.2. Long-Term Strategies

The cases found differences in the general strategy of publishers. Whereas publishers in Slovenia diversify their offerings (e.g., publishers cover a variety of genres) and extend their services along the value chain, publishers of the two larger language markets mostly choose to focus on niches. In general, however, digitisation had only little impact on the long-term strategies of publishers interviewed as the focus remains on producing high quality books especially in the two non-English speaking markets. In the larger language markets e-books are produced automatically while the focus shifts to online marketing. The more traditional publishers concentrate on print publishing so not to endanger those sales as well as backlist digitisation and online marketing. Hence small publishers tend to react to threats and low-cost opportunities that present themselves, thus focusing on short-term solutions while long-term improvements are seen as in the hands of politicians and larger entities due to financial constraints of small publishers. Overall the strategy pursued successfully by small publishing houses is to focus on quality instead of quantity, meaning publishing less titles.



In Slovenia only *Biblos* has a long-term strategy for e-publishing as they would like to extend their offerings and include other types of digital content (e.g. audio, video, English content). This would lead to further concentration of the content distribution online, however. In terms of content, entrepreneurial publishers see the largest opportunities in focusing on adding something more to the product than solely converting it into an e-book. Especially in Scotland a shift towards IP exploitation regardless of the format and an emphasis on storytelling can be observed as Publisher a summarised:

it feels like we've moved from being a publishing company to a production one – more accurately, we're now better prepared to tell our stories in whatever way they need to be told. [...] it's still books, too, but we've learned not to be limited like that.

In general publishers perceive the current situation as a period of experimentation. Publisher k compared it to Darwinism as lots of product and service “mutations” emerge at the moment while publishers need to wait and see which ones survive and flourish. Thus publishers “mustn't be too worried about one species eating up another” as it is a way to determine what will be successful in the future.

#### V.4.3. Policy Frameworks, Funding and State Support for the Publishing Industry

The publishing industry continues to be supported on a national and European level, including digital publishing practices and products. The first area of support is direct funding for publishing projects or publishing houses and as the three cases have shown, funding practices have an impact on how active publishing houses engage with digital disruptions. In Slovenia and Austria publishing houses receive general funding for their publishing businesses whereas Scotland supports publishers rather on a project basis. These practices are being discussed controversially as the individual case studies have shown. Particularly direct subsidies for publishing houses seem not to encourage innovation among publishers, as publishers do not need to sell books to earn sufficient funds to survive as a business. Mostly publishers in Slovenia argued that on one side many small publishers would not survive without those subsidies but at the same time books are being produced for which no market exists. Moreover, having government-funded bodies as the *Publishers Association* in Slovenia decide which publishing houses receive funding is problematic as the practice is prone to favouritism. Scottish publishers on the other hand can apply for funding for specific projects while overall more money is spent on improving the publishing infrastructure (e.g. training events). These practices are better suited to encourage innovation as publishers do not depend on funding too much and need to find other income sources. It needs to be taken into account, however, that Scottish publishers are in a better situation in general when compared to other small nation

publishers as they can survive without funding whereas subsidies are crucial for the survival of the majority of other small publishing houses focusing on literary fiction. Nonetheless publishers in all three nations criticised the funding practices indicating that there is room for improvement to make sure resources are not misused. Moreover, especially small publishers struggle with the bureaucracy entailed in the application process. Hence creating a straightforward application process that also small entities can partake in would be preferable, as would be opening funding for small publishers just entering the industry and that yet lack established structures. Lastly the case studies indicate that the self-conception of the publishing house plays an important role when talking about funding as publishers with an economic focus are less likely to rely on funding whereas those with a cultural focus do.

Another important point to make is that of limitations for small language publishers. *Amazon* currently discriminates against certain small languages by not allowing them to be sold through their channels. This negatively affects those small markets as local initiatives need to fill the gap that the absence of *Amazon* causes and this entails large upfront investments, which are hard to recover because of the size of the markets. This partially explains why the Slovenian book industry and especially e-publishing practices depend heavily on state support. It also explains why the e-publishing market develops slower than in larger language markets. Furthermore it shows that despite being a controversial partner in the book trade *Amazon* is the best choice for small publishers as they can potentially reach a global readership without the need for large upfront spends. This is obvious when looking at publishers that are restricted from using the e-retailer.

Moreover, the research has shown that with an increase in digital publishing piracy becomes a larger threat. Furthermore as national borders lose their importance online territorial rights become harder to police. Customers do not understand why they cannot access content from certain countries online and overall those territorial limitations are man-made and limit the spread of content online. Thus copyright regulations need to be updated for the online trade instead of strictly transferring the analogue system to the online world and to not artificially limit access. A balance needs to be found between customers' wishes for frictionless access and the necessity of businesses to sustain themselves through sales. This is also true for e-lending models that restrict the access and mimic the print model of lending books. Moreover, as the case of Slovenia has demonstrated funding for libraries to buy content from publishers is a powerful tool to support the industry. A model needs to be found, however, that fairly remunerates authors for digital content lend through libraries.

Furthermore taxation is something concerning most publishers interviewed. Different VAT rules across Europe still exists and the new rule in Europe according to which publishers have to pay the VAT in the country where their customers are based, did not have the desired effect of creating a more even playing field for small entities but resulted in confusion and additional work for the small publishers interviewed. In addition taxing internationally operating companies like *Amazon* fairly is a global challenge currently under examination by the *OECD*. Lastly the three cases have shown that the fixed book price leads to higher e-book prices which in turn hampers the growth of the sector. How to price e-books so that small publishers will earn enough money from sales is a field where further comparative research is needed.

## **VI. Conclusion**

### **VI.1. Research Objectives & Summary of Findings**

This thesis set out to explore the impact of digital technologies and their potential for disruptive innovation in the publishing industry in small nations in Europe. Although general implications of digitisation on the cultural industries are a widely studied and debated phenomenon (i.a., Hass, 2002; Janello, 2010; Thompson, 2010; Wirtz, 2011; Hesmondhalgh, 2013; Phillips, 2014), the ramifications of digital disruption on publishing houses in smaller nations were understudied and particularly comparisons at the firm level between language markets differing in size lacked empirical exploration. Hence this thesis analysed the responses to digitisation of small publishing houses in three nations covering both larger and smaller language markets as well as varying national contexts in which publishing is embedded. Choosing the BM as a framework for analysis allowed a study of the impact of digitisation on publishing houses and the wider industry holistically as BM research sees BM adaption as a response to external influences (Saebi et al., 2017). Moreover, research has linked BM design with firm performance (Zott and Amit, 2007; Foss and Saebi, 2017), demonstrating that firms focusing on BMI improve their performance (Cucculelli and Bettinelli, 2015), which is of interest for publishers wanting to create sustainable businesses for the years to come. However, there is a lack of research focusing on BMs in different contexts such as firm size, age, and firms deploying several BM designs simultaneously (e.g. mature publishers operating print and digital centric BMs) (Pati et al., 2018). Moreover, BM research in book publishing is rare, thus this thesis chose an explorative approach to investigating BMI among small publishing houses (young and mature ones) in small nations. The findings therefore foster a better understanding of BMI in publishing and provide a basis for further investigation of e-publishing practices and strategies. Moreover, by addressing the impact of regulatory frameworks on publishers' capabilities to innovate their BMs the thesis shows that political decision-making has extensive consequences for the innovativeness of publishing houses and thus provides the basis that either encourages or hampers innovative adaption.

In summary, the findings of this comparative study agree with the body of research that argues that the impact of technological change differs across countries (e.g. Chesbrough, 2001). The overall context of a publishing market (e.g. book culture, cultural policies, language market size) needs to be considered when discussing adaption to digitisation as well as the patterns of digital transformation discussed in Chapter II.1.1. Moreover, this thesis improves the understanding of the value of the BM concept as a

way of analysing the impact of variables such as digitisation, entrepreneurial mind-sets, firm size, and language market size on publishing houses. It allows us to analyse how publishers create value by analysing changes in BM components. Overall, this thesis demonstrates the usefulness of the BM as a methodological construct to investigate responses to digital change on a firm and industry level. The components of a BM allow us to trace how and why publishing houses innovate and adapt and thus it has proven to be a useful investigative tool not only to measure innovation but also to shed light on the changing position of publishing houses within the wider publishing ecosystem. It is hoped the concept developed herein will be used in the future to analyse other book markets and how publishing houses adapt to digitisation.

The following now summarises the main answers to the research questions derived from the analysis in Chapter V.:

- 1) *What e-publishing practices currently exist in Austria, Scotland, and Slovenia and what are current and potential new and innovative BMs for the publishing industry in those nations?*
- 2) *How are established publishing houses in small nations transforming their publishing practices in response to digitisation and digital technology and how are new market entrants using digital publishing for their advantage?*

The research found that publishers are pursuing digital strategies and are experimenting with new technologies and ideas. They demonstrate that, in accordance with the BM literature, innovating one's BM is a way to foster growth. Therefore, after presenting an overview of potential new business models in publishing discussed in the literature (cf. III.4.1.), chapter V presented an overview of how established and younger small publishing houses have adapted their BMs to accommodate new opportunities of digital technologies (cf. Figures V-1, V-2, V-3). In accordance with research in the wider media industry, this thesis argues that an entrepreneurial mind-set is an important factor that encourages publishers to adapt their BMs (cf. Figure III-5) (Mütterlein and Kunz, 2017). However, the small size of publishing houses does not automatically correlate with an entrepreneurial mind-set. Incumbent small firms often lack an entrepreneurial mind-set as they are focused on maintaining their market position and thus are less focused on innovating their BMs. Firm age seems to be much more important for an entrepreneurial mind-set as especially young firms or new personnel in established publishing houses are drivers of innovation. Furthermore, the research found that an economic approach to publishing, particularly the focus on establishing a financially viable business, is a driver of innovation. Interviewees with a more economic approach to running a publishing house displayed an entrepreneurial mind-set whereas interviewees that followed a more cultural approach to publishing focused on government funding and are therefore less

innovative as the economic aspects of the publishing business seem less important. Moreover, established publishers are more reluctant to adapt their BMs possibly due to them having already a successful BM in place that they do not want to endanger (cf. Figure III-10). Instead new entrants, motivated by lower market-entry barriers, thanks to the internet and cost-efficient production and distribution processes enabled by digital technology, are demonstrating that digitisation offers opportunities for innovation even in small markets (at the fringes of the publishing industry) (cf. Figure III-8). This holds true for all three markets examined even though at first glance small-language markets like Slovenia seem less affected by digitisation as the small market share of digital products suggests, meaning the effects have been more subtle. For now, those markets are still protected by language, but those borders are slowly becoming permeable online with a readership growing up today not deterred from reading in English and accustomed to the internet and the variety of content choices.

Therefore it can be argued that the three publishing markets under investigation occupy different positions in the overall cycle of evolution. Large language markets have developed and adapted quicker thanks to a larger customer base and already established e-retailing infrastructures. Hence publishing houses in those markets have already reached a more advanced position in the evolution cycle thanks to innovation. This is also true for larger publishing houses with more resources to dedicate towards innovative measures as compared to smaller publishing houses. Hence, Scottish publishing has already reached a new equilibrium when it comes to e-publishing and Austrian publishing is further in the adaption process than Slovenian publishing, which is still amidst a transition phase.

- 3) *What are the opportunities and threats of e-publishing for SMEs in those nations?*
- 4) *What impact do new BMs have on the publishing industry value chain and how do publishing houses create value in this new digital eco-system?*
- 5) *How are oligopoly structures in e-commerce interfering with SME business practices and the development of well-functioning BMs on national levels?*

The research found that e-publishing practices vary significantly across Europe, with the English market being the one that has developed the furthest. Hence smaller language markets profit less from the opportunities digitisation offers. Contrary to the assumption at the beginning of this thesis, digitisation is not an advantage for most small publishing houses in small language markets. Hence the research in differing small nations has shown that the e-publishing practices are highly diverse and that the surrounding context of the publishing industries (e.g. culture of a nation, differing legal settings) and firm specificities such as age have an impact on the innovative capability of publishing houses. Moreover, the findings presented in this thesis suggest that even though the

size of the language market has been used as sole differentiator in previous research, the innovative capabilities seem to depend much more on an entrepreneurial culture as the possibility to access a larger market does not automatically mean publishers profit from digitisation as the case of Austria shows.

Moreover, most small publishing houses can be described as passion projects of the respective publishers who clearly focus on the cultural aspect of their work. Hence publishers do not concentrate on growth but rather on their output and staying afloat. Therefore strategic management is not of importance for publishers and only becomes central when they are faced with investment decisions and how to react to disruptions in the wider media industry. This results in them concentrating on low-risk and low-cost innovations such as direct selling (disintermediation) and online marketing (e.g. fostering online communities) as well as innovations at the fringes of the market, driven more by environmental pressures than by long-term strategies (cf. Figure III-6). Thus, the opportunities of e-publishing were mostly described as democratisation of the online marketplace where small publishers can reach a wider audience more easily.

Threats of e-publishing were seen in the continued monopolisation of the industry, making it hard for small publishers to compete due to fewer resources. In terms of the monopolisation of the online distribution channels, publishers see these developments critically as they profit from the larger audiences these platforms present but at the same time also feel the pressure of shrinking profit margins and the loss of visibility on platforms that are open to everyone and where the amount of content offered grows rapidly. Moreover, research into book publishing has addressed the prevalence of the Anglophone world and thus the challenges for cultural diversity (Craighill, 2014). Digital publishing and the spread of the internet, enabling a borderless and frictionless trade with content, further enforce this. Ultimately, this hampers particularly small-nation publishers due to an increase in English reading material readily available online and mostly for free or little money. Furthermore, the dominance of the English language as well as the prominence of the Anglo-Saxon/American culture, as a consequence of globalization, has a detrimental impact on the dissemination of small-nation book production (cf. Figure III-7) (ibid). Moreover, the growing importance of English in business, science, and education will most likely continue to diminish the sales of books in local languages (Kovač, 2010). It can be further argued that small publishers barely cover their overhead costs thanks to smaller print runs in combination with an increase in overall title production. Consequently the domination of English and the continued trend to overpublish will decrease the margins of publishers even further and especially in small language markets (ibid). Hence small publishers have no choice but to focus on digital publishing's promise to be able to reach a wider audience. Small publishers are well equipped to respond to new

market requirements and consumer demands thanks to their flexible structures. Nonetheless the wider publishing industry is driven by disruption introduced by technology firms, hence, it can be expected that the future of digital publishing will be shaped by actors not traditionally related to the industry.

This is already visible in the ability of *Amazon* to shape book markets as the dominant platform for e-commerce in Europe and beyond. *Amazon* is not only the dominant online retailer for printed books but also the driving force behind the growth of e-book sales in many markets and thus responsible for the e-book market as we know it today thanks to the *Kindle* e-reading device and associated e-book store. Moreover, *Amazon* has levelled the playing field for many small publishing houses as it offers a global promotion space that allows them to offer their products (print and digital) to a global audience. However, *Amazon* favours large language markets and has only entered those markets that promise sufficient business, hence the low priority to open its retailing platform to minority languages such as Scots Gaelic and Slovene. Hence Scottish publishers are only able as of late to sell Gaelic e-books through *Amazon* while Slovene is still not a supported language on *Amazon*. Henceforth the e-book market developed much quicker in nations with an *Amazon* presence such as Scotland and Austria, particularly due to the variety of e-books on offer and the ease with which customers can buy those e-books. Thus in Scotland *Amazon* is already well integrated into the publishing network as Scottish publishers publishing in English profit from English being the dominant language online and *Amazon* favouring dominant languages. At the same time smaller language publishers are challenged by their minority language status as they have fewer options to access larger markets outside their small nation states in addition to the absence of *Amazon* in the case of Slovenia, which meant a (costly) national e-book retailing infrastructure had to be established by the industry itself, including the provision of e-reading devices. Lastly, Austria occupies a middle position as German e-books could potentially reach a larger audience in the wider German-speaking market largely due to *Amazon*'s infrastructure but nevertheless publishers in Austria struggle to compete with their dominant neighbour and therefore Austria can be described as minority language space in the wider German-speaking market. Moreover, due to the German Tolino e-book infrastructure, which caters to customers wishing to support local bookstores, *Amazon* does not occupy the same dominant position within the German publishing network as it does in the English-speaking publishing market, resulting in a more diverse online retailing infrastructure.

To conclude, without *Amazon* the e-book market would not exist in its current form and e-book sales have grown due to the e-commerce platform. Without the platform and its e-reading devices the market for e-book sales would diminish. However, *Amazon* favours



large language markets and thus small language publishers rely on local initiatives such as *Biblos*, that cater to local preferences (e.g. e-lending), to distribute their wares but which cannot offer the same international exposure to potential customers as *Amazon* can and hence those minority language publishers rely on government support to survive.

- 6) *What policy frameworks concerning digital publishing exist in these nations, how do they influence the development of e-publishing strategies and what role do the different book cultures play in shaping the e-publishing industries as well as policy debates?*

The key policy frameworks concerning digital publishing are taxation (e.g. different VAT rules across Europe), copyright and piracy, fixed book price regulations, and government support for the publishing industry. In particular, subsidy practices can hamper the innovative capabilities of publishing houses when they start to rely too much on government support as was the case in Austria and Slovenia (cf. Figure III-9). Publishing houses that receive large sums of direct subsidies do not feel the need to develop e-publishing strategies. Furthermore, fixed book prices lead to higher e-book prices which in turn limits the growth of the sector when compared to the e-book market share in Scotland, a nation without a fixed book price. Lastly, differences in book cultures shape the e-publishing sectors differently as for example the strong book lending tradition in Slovenia has demonstrated. Variations in book culture shape how publishers are supported and in turn which titles and in which form publishers choose to publish as well through which channels.

## **VI.2. Outlook & Recommendations**

Any conclusions derived from the case studies can only be generalised with caution due to the specificities of the nations. However, having chosen the three cases according to differences in language size and market conditions (multifaceted approach) enhances the potential for practical application of the research findings. Moreover, the findings provide a basis for further debate surrounding digital disruption and BMI of small publishers in small nations. Hence in unearthing successful innovative e-publishing practices Table VI-1 presents an outlook on the future of e-publishing in small nations and recommendations for publishing professionals helping them to adapt their BMs and for legislators to encourage innovation within the industry.

Table VI-1: Outlook and Recommendations

	<b>Outlook</b>	<b>Recommendations</b>
<b>Innovative Capabilities</b>	In accordance with deliberations in Chapter IV it can be argued that small publishers will continue to innovate in low-cost areas such as marketing due to limited resource provisions.	The research found that social media marketing and new forms of reader engagement are the biggest opportunities of digitisation for small publishers to increase sales. Small publishers that are yet reluctant to invest in those measures should reconsider their strategies and invest more resources into online engagement with their audiences. Focusing on promoting backlist titles can generate additional income, so can author involvement in online marketing and community building activities. Therefore author contracts should include social media marketing responsibilities.
<b>Entrepreneurial Mind-sets</b>	In accordance with one strand of business research this thesis argues that the mind-set of publishers determines whether BMI is a priority (Staw et al., 1981; Dutton and Jackson, 1987; Mütterlein and Kunz, 2017). Publishers who perceive digitisation as an opportunity and display an entrepreneurial mind-set are more likely to invest in adapting accordingly and have a long-term strategy in place which includes digital publishing practices.	To support an entrepreneurial mind-set established publishers should focus on employing or collaborating with individuals without a traditional publishing background.
<b>Entrepreneurship in the Business Life Cycle</b>	SMEs are not automatically entrepreneurial but can be incumbents too. Hence the advantages of smallness according to the SME theory do not weight stronger than the limitations of incumbent inertia. Small incumbents might have been entrepreneurial in the past and have now reached the point in the business life cycle where focusing on sustaining their position in the market is more beneficial.	
<b>Collaboration and New Perspectives</b>	Incumbents have a harder time adapting to market changes compared to younger firms and new entrants due to their print centric legacy. Hence it will be largely young entrepreneurial firms that capitalise on the digital disruption in publishing.	To stay innovative established firms should either hire personnel from outside the core publishing industry, collaborate with 'outsiders' or outsource more often. That way established firms gain access to new perspectives, ideas, and knowledge.
<b>Competition &amp; Changing Consumer Habits</b>	Consumers continue to divide their free time between different media forms. Thanks to devices such as the smartphone content can be accessed everywhere and all the time. Moreover, those devices encourage multi-tasking which negatively affects attention spans. Furthermore the ease with which content can be published online negatively impacts the ability of publishers to be visible and stand out with their offerings.	Publishers seem to be more successful when focusing on publishing fewer titles and instead of overpublishing concentrate on publishing the highest quality and on marketing each title intensively online.
<b>Opportunities</b>	Digitisation continues to level the playing field for small publishers in the areas of production, marketing, and distribution. Small publishers capitalise on those op-	Publishers should focus on online marketing and audience engagement. Moreover, when publishing in languages other than English focusing on a rights strategy seems the best way forward. In general

	<p>portunities only, however, when they invest in e-publishing practices such as online marketing.</p> <p>Publishing in languages other than English is the largest hindrance factor for success of digital products. Instead digital outputs are most successful financially when published in English.</p> <p>Digital products are more inclusive thanks to them being priced lower compared to printed products and they are accessible for people with reading difficulties (e.g., audio content and text-to-speech technology). This helps to reach non-readers and especially those who are not confident in their ability to read books. Moreover, it supports learners of languages (for example Gaelic speakers) to read.</p>	<p>publishers in small nations need to adopt an international and outward facing approach (publishing 'in' instead only 'for' a nation) and thus exploit rights globally.</p> <p>To profit the most from easier access to a global audience, publishers need to overthink their list building activities and include more titles suitable for a wider audience. Those sales can in turn be used for cross financing national literary outputs.</p>
<b>Distribution</b>	<p>In cases where offerings in local languages do not meet the preferences of readers, international e-retailers compliment those offerings with cheap English content and thus offer incentive to consumers to migrate to their ecosystems. Local distribution initiatives will hence lose market shares.</p>	<p>Focusing on selling more titles directly is the most promising way for small publishers to circumvent the limitations of the physical book trade. Moreover, choosing a partner like Amazon helps open up wider markets for small publishers.</p>
<b>Product</b>	<p>Publishing specific literary fiction as e-books does not make sense financially for small publishers. They make more sense, however, when the print version is published simultaneously. Overall digital products in small languages are under threat to disappear online.</p> <p>Niches are promising higher returns and seem worthwhile especially in larger language markets where the audience base is larger whereas in limited linguistic markets publishers need to diversify and look for additional income outside the core publishing business.</p>	<p>Publishers should balance their businesses by focusing on the one side on book as a beautiful physical object that can then be sold for a higher price (price premium) and on the other side look for titles that can be sold online to a wider audience (e.g. genre fiction such as crime).</p>
<b>Program Planning</b>	<p>It can be expected that social media following and competencies in using those platforms will become even more important for authors and will play a role when publishers decide which authors to publish. A large social media following will become an important deciding factor for getting a book deal.</p> <p>Thus success on social media is an increasingly important factor in determining which range of books readers will be able to choose from in the future. One could argue that it is another step towards a more customer centric book industry, as readers indirectly have an impact on programme planning decisions of publishers through social media. Hence more books will be published that readers are interested in.</p>	<p>Publishers should make use of potential authors with a large following online that can be translated into book sales. Those successes can be used to cross-subsidise cultural output instead of relying on state support.</p>
<b>Long-Term Strategies</b>	<p>IP exploitation independent of the form of dissemination becomes crucial for publishers' survival. Therefore the self-image</p>	<p>Publishers should focus on storytelling and how digital technologies can add something to products and how stories</p>

	of publishers will shift towards content providers that collaborate with the wider media industry to reach a wider audience with their content.	are told. Moreover, publishers depend on a close relationship with their audiences and therefore should invest into developing a “customer-centric future”(Treanor, 2010, p.127)
<b>Pricing Strategies</b>	Reducing the price of digital content for a short while increases visibility for these products through improving the sales rankings on e-retailing websites, which lead to more sales overall. Publishers also argued that lower priced e-books are more inclusive and thus reach a larger audience of low-income groups.	Publishers should experiment more with price promotions of digital products to find out whether the findings from the Scottish case are applicable for other markets too.
<b>Support for the Publishing Industry</b>	Funding publishing houses directly and unconditionally based on previous publishing activities and proposals for the future does not encourage innovation but instead cements the status-quo of the industry and fosters dependency instead of providing incentives to establish long-term strategies that focus on creating financially viable businesses.	<p>Funding practices could be improved by focusing on subsidising the publishing infrastructure and reader development initiatives. Legislators should support international marketing measures, translations into English and encourage the development of a network of agents to amplify the consumer basis. This research found a lack of marketing and business skills hence focusing on funding training events that help small publishers acquire skills, knowledge, and competencies to succeed online seems promising (e.g. SEO skills). Those training events can also serve as a place for knowledge and best practice exchange among participants. Overall legislators should encourage cooperation among small publishers.</p> <p>In cases where direct funding of publishing houses and book projects is necessary due to a limited readership and because of their importance for the national culture, funding bodies should make the application and awarding process as transparent as possible. This includes making public the recipients, amounts and details of the funded projects. Taxpayers have a right to be informed about how public money is being spent. There should also be requirements in place for book agencies to collect and make publicly available sales figures of the publishing industry. This would help to hold the individual publishers accountable, enhance competition among them and ensure a fairer funding practice. Furthermore all genres should be considered for funding, including non-fiction titles.</p> <p>A more transparent and less bureaucratic funding process is needed that takes the constraints of small publishers into account as most of them cannot dedicate much time towards funding applications. In addition especially the <i>Verlagsförderung</i> in Austria discriminates against new publishing houses as they are unable to fulfil the funding requirements. The current awarding practise therefore cement established structures instead of creating incentives for innovation. Hence funding bodies should consider all publishing businesses.</p>

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The research identified a lack of knowledge about funding opportunities by the EU. National publishers' associations therefore should follow the Scottish example and make funding opportunities available on their websites and include EU funding opportunities as well.

Publishers feel overstrained by European legislations. They struggle to understand new rules and legislations due to limited personnel. There was also a lack of awareness of support available for small enterprises. Here legislators, especially on the European level, should offer more support and communicate policy changes more clearly, considering that the average small business often does not have access to professional legal support.

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### **VI.3. Limitations and Further Research**

The findings of this thesis are contextual and thus are not automatically generalizable to other national contexts. The publishing industry especially is context dependent as publishing markets have their own logics and dynamics (Thompson, 2005; 2010). Nonetheless, the research presented here gives a first overview of a much-debated development, the impact of digitisation on the publishing industry in Europe. It is hoped that the thesis will encourage further research into other small nations and the effects of digitisation there.

Moreover, this research was limited in time and resources and hence could only study three different small nations. Hence the validity and generalisability of the propositions presented here can be further improved by looking at e-publishing practices in other small nations. In general this thesis provides a first understanding about e-publishing practices and BMI in larger and smaller language markets in Europe and thus can form the basis for further research into BMI as a response to digitisation in other small nations in Europe and beyond. Especially additional comparative research is needed to better understand the impact of cultural specificities of small book markets and how to best support publishers publishing *in* those nations and most importantly *for* those nations in order to further strengthen the diversity of book publishing in the 21<sup>st</sup> century.

The findings are also specific to the time of investigation (2016-2017) due to the fast paced and dynamic developments of the publishing industry at the moment. As a result, further research is needed to critically examine the recommendations and outlooks presented here. How publishers continue to deal with digital disruptions provides a basis for future research on this topic.

Moreover, this research found that online the linguistic diversity is challenged through an increase in English content consumption particularly by non-native speakers. Hence consumer habits online need to be studied further to better understand the impact on non-anglophone publishing and the challenges they might face in the future. More attention should be devoted to the motivation of consumers for choosing English over local-language content. In addition changing consumer behaviours in combination with increasing competition from other forms of entertainment online are associated with a decrease in time spend reading. Hence further investigating how individuals spend their free time would be beneficial for the whole publishing industry as a better understanding of the wider competitive environment can help the industry to make informed decisions about how to best connect with their audience and deliver value to them.

Furthermore, this research revealed that publishers struggle with adequate digital pricing strategies. Therefore investigating consumers' willingness to pay for digital content is advisable as it would enhance publishers' understanding of how to best price their content. This would be beneficial for the formulation of long-term strategies that ensure the survival of publishing houses.

Other fields for further research are the growing popularity of audio content as an additional revenue stream for publishers, the potential of e-books for more inclusivity among readers and the impact policies have on the e-book sector in Europe. For example, does the fixed book price limit the e-book market growth and will the reduction of VAT in turn have a positive effect on said growth? To make well informed decisions, publishing houses, authors and legislators need a better understanding of the objective reality of the e-book market in general and therefore efforts should be undertaken to collect reliable and comparable data across Europe.

Finally further research into the orientation and motivation of publishers could provide more clarity about the herein presented argument that publishers who display a predominantly economic orientation are more proactive in their (e-)publishing approaches and overall more innovative, whereas publishers with a predominantly cultural orientation rely primarily on subsidies and are more concerned with improving cultural policy and funding practices than with creating self-sufficient businesses. Moreover, respondents who displayed a positive and open attitude towards digitisation seem to be more likely to invest resources into developing long-term e-publishing strategies and experimenting with digital technologies. Thus framing disruptive change as an opportunity rather than a threat leads to more innovation and resource commitment in the publishing industry. This view on change seems to be more prevalent among publishers just entering the market and among those without a traditional publishing background, potentially due to the fact that new firms do not have established structures centred around print and thus have to worry

less about jeopardizing the continued development of the old (print focused) business. Here the question emerged whether these developments are part of an economic cycle with new innovative companies entering, growing, and then reaching an equilibrium where they do not need to innovate further. As this was not the focus of this research and as the sample of respondents was too small these findings can only represent a starting point for further enquiry: more research is needed in order to confirm or reject the validity of those findings.

#### **VI.4. Where do we go from here?**

What can be learned from this thesis about the future of small-nation publishing? The research found that changing consumer behaviours will most likely continue to challenge the publishing industry. The first generations for whom the internet and digital devices are normalcy are now entering adulthood, their handling of new modes of consumption and communication will have wide-reaching consequences for the publishing industry everywhere. The world is becoming smaller and national barriers are becoming less pronounced in an online sphere where everyone can encounter people and stories from all over the world – largely mediated through the English language. While audiences increasingly move online for easy access to cheap entertainment the willingness to pay for content seems to decrease. Moreover, consumers' time is scarce and therefore their attention is what firms fight over. Hence publishers will continue to face strong competition from a myriad of entertainment forms. Especially smaller publishers will be further marginalised in the global publishing market as digitisation has not brought the anticipated advantages for most of them. Especially genres like literary fiction will have to find new ways to prove their relevance among other forms of cultural expression. This will need commitment from legislators for cultural policies that provide an infrastructure which encourages the production of literature and at the same time continuous investment in reader development.<sup>143</sup>

Moreover, e-books, other forms of digital content and a borderless trade environment online will continue to challenge the linguistic diversity of Europe and contribute towards further marginalisation of particularly small language markets. The costs involved in producing e-books in other languages than English are high compared to the revenue they generate through sales, making them uneconomical especially for small language publishers (mainly when the print version is not produced at the same time). **From a financial point of view e-books make sense mostly when published in English** as this

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<sup>143</sup> The question of arts funding is a complicated one. How can it be justified to spend public funds on publishing houses that could not survive without those subsidies, hence creating an unhealthy dependency on state approval for content to be published?

allows access to a global audience instantly and the fact that audiences online are used to cheap content means that e-books will continue to strive in that realm when priced accordingly. Publishers from small language markets only have a chance to capitalise on those trends when playing by those rules. The alternative for legislators in Europe is to subsidise small language e-book markets. Specifically literary fiction relies heavily on state support to survive as nation-specific content is less accessible for a wider audience and hence does not travel easily across borders. Moreover, **if books are not translated into English**, something small publishers from small nations experimented with successfully, or if authors do not also start writing in English **those texts will further lose in relevance in the global publishing sphere.**

Digitisation means also that publishers of titles with a mass market appeal need to focus more on **storytelling**. Consequently copyright and the exploitation of IP in all possible formats is crucial and means that the main role of publishers in the future will most likely be the one of **IP providers**. To accomplish this new collaboration partners are needed, and publishers need to find ways to engage with audiences outside the realm of the printed book. This can be achieved through creating online communities, thus connecting, and collaborating with individuals all over the world. This way innovation can be encouraged, resulting in new products. Thus other content dissemination platforms (e.g. video streaming platforms) play a crucial role for publishers that look to sell rights internationally. In general successful publishers will be those that create customer-centric businesses. Overall, small publishers that do not restrict themselves to their home markets are more likely to succeed online.

Over the period of this research project **most innovative initiatives were found at the fringes of the industry**. It is those individuals who, out of economic necessity, are motivated to venture off the beaten tracks and thus find solutions for spreading content. As those publishers are not in the spotlight of the main publishing industry they are mostly overlooked. This thesis showed these individuals have created a space for themselves within the industry network. In doing so they challenge the established ways of how the publishing industry works as well as the dominant players in it. They manage to use technology to break out of limited market spaces and offer readers more choice.



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## Appendix 1: Conceptual Differentiations

### Small Nation

The terms state, nation, nation-state and country are related but encompass different scopes. A state has a narrower understanding of the underlying concept as it refers to “a portion of geographical space within which the resident population is organized (i.e. governed) by an authority structure. States have externally recognized sovereignty over their territory” (Dicken, 2011, p.172). Whereas the concept of a nation subsumes much wider implications as an official power structure in form of a government is not a defining characteristic of a nation. As Glassner (1993) states, it is a

reasonably large group of people with a common culture, sharing one or more cultural traits, such as religion, language, political institutions, values, and historical experience. They tend to identify with one another, feel closer to one another than to outsiders, and to believe that they belong together. They are clearly distinguishable from others who do not share their culture. (pp.35-40)

These characteristics are less obvious and much broader, thus making nations less obvious to define as opposed to states which have recognized and defined territories whereas a nation may not but is rather an “imagined community” (Anderson, 2006; Dicken, 2011, p.172). When both conditions coincide, literature speaks of a nation-state, “a nation with a state wrapped around it. That is, it is a nation with its own state, a state in which there is no significant group that is not part of the nation” (Dicken, 2011, p.172). Hence states as well as nation-states have internationally recognised borders and “government that exercises authority over that territory and its people” (Sweeney, 2005, p.39).

The number of nation-states has grown in Europe after the collapse of the Soviet Union in 1989, bringing for example the state of Slovenia into existence. Today tensions exist between the “triad of nation, state and nationalism” (Dicken, 2011, p.174), as there seems to be more and more “‘nations without states’ manifested in separatist movements engaged in conflict with the state in which they are (wrongly in their view) embedded” (ibid, p.172). This can be seen for example in Scotland, where the separatist ambitions culminated in an independence referendum in 2014. In addition to separatist movements states face a loss of power as modern communications technologies make them more permeable (ibid, pp.172-4). Language and thus text travel across borders where there



are areas with a common language.<sup>144</sup> In these cases the region can be distinguished from the nation due to its specific identity.

From an economic perspective states are important as they regulate what happens within its boundaries. In the case of publishing states tend to regulate and intervene in those markets in accordance with their different cultural practices. Furthermore the size of the national economy determines the resource endowment of the nation and thus how much capital can be spent on cultural policies. Those national policies need to be put into the wider context of European legislation as this supranational body exercises now control over their member states as well.<sup>145</sup> This diminishes the role of the nation-state while at the same time safeguards small independent states in Europe as states are constrained by the supranational authority of the European Union (Keating and Harvey, 2014, pp.134-5).

Small nations and states are, however, harder to define as multitudes of different classifications exist. The World Bank for example defines 'small states' as countries with a population of less than 1.5 million (The World Bank, 2019), whereas the United Nations refer to nations as small when they have less than 10 million inhabitants (Ó Súilleabháin, 2014). Out of the 193 member nations of the United Nations 107 are classified as small nations, thus making up the majority of memberships (The Ministry of Foreign Affairs Singapore, 2019). However, there are other ways of defining the size of a nation apart from population: land mass, the Gross National Product (GNP) or political strength (Bodley, 2013). Furthermore they are characterized by a greater openness and flexibility, more direct and trusting relationships among politicians, but they are also economically more vulnerable (Keating, 2008). The challenges they face are associated with small economies, remoteness and isolation as well as limited political standards (Ó Súilleabháin, 2014; The World Bank, 2019). The international strength and domestic market size of a nation hence has an impact on publishing houses as small nations with a small language market for example offer publishers only access to a limited number of potential customers. In addition media and technology conglomerates with global expansion strategies are becoming strong competitors while at the same time aiding publishers in cross border distribution of content. Thus the global flow of goods, capital and people shrinks and links the world, all supported by the emergence of a global communications network.

To conclude, the concept of nation within the scope of this research project is defined as social groups that share a culture, history, ethnicity and language. Besides 'small' is a relative concept manifesting itself in categories such as geographical spread as well as

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<sup>144</sup> For example Austria is home to a Slovene speaking minority in the border region to Slovenia.

<sup>145</sup> The UK joined the EU in 1973, Austria in 1995 and Slovenia in 2004 (Dicken, 2011, p.209).

in its linguistic and economic status (Boswell, 2014, p.19). Moreover, Craighill (2014) defines small nations with regard to publishing as “territories that linguistically and culturally occupy a periphery position on the margins of European fiction market due to a relatively low rate of publishing productivity” (p.10). Hence in the following small nation is understood to be of limited economic power, being under EU legislation as well as its own governing body combined with a strong sense of its own culture.<sup>146</sup> Therefore all three cases chosen for this research (Austria, Scotland and Slovenia) can be defined as small nations according to the definitions presented above.

### **Small and Medium Sized Enterprise**

When looking at the business landscape of publishing, most publishing houses in small nations are small enterprises, hence it needs to be defined what constitutes a small publishing house exactly. This distinction has certain consequences as SMEs are often being supported by governments in certain ways as well as having characteristics and management issues that distinguish them from larger organizations.<sup>147</sup>

There is no uniformly agreed upon definition of what a small company is. In general quantitative and non-quantitative definitions exist which are both of interest for the following investigation. Today SMEs are a vital part of the European economy, accounting for 99% of all businesses according to the European Commission. The definition used by the European Commission is of quantitative nature and recorded in the commission recommendation 2003/361 (European Commission, 2003) (Table A-1).

*Table A-1: Quantitative Definition of SMEs*

<b>Criterion</b>	<b>Micro Business</b>	<b>Small Business</b>	<b>Medium Business</b>
Staff Headcount	< 10	< 50	< 250
Annual Turnover	< 2 Mil. €	< 10 Mil. €	< 50 Mil. €
Annual Balance Sheet Total	< 2 Mil. €	< 10 Mil. €	< 43 Mil. €

These classifications are important as SMEs benefit from recent innovation policies of the EU as well as its member states, which offer funding and support to those enterprises

<sup>146</sup> This research project looks at nations as opposed to states due to the cultural focus of the publishing industry, which primarily caters for readers of nations not states.

<sup>147</sup> The status SME is important as different governmental requirements exist regarding accounting standards and exemptions.

(European Commission, 2014a, 2018e, 2019a; Eurostars, 2019).<sup>148</sup> The creative industries have been especially included into some of those initiatives, providing funding opportunities for smaller publishing houses (European Commission, 2018b, 2018f, 2019b).

On the other side qualitative differentiators of SMEs are a relatively small share of the market which comes with a lack in power to influence prices or the quantities of goods that are being produced. Furthermore SMEs are managed by their owner and hence are subjected to his or her personal influence as opposed to formalised management structures in large enterprises.<sup>149</sup> Lastly SMEs are generally independent and not part of a larger enterprise. Hence SMEs have access to fewer resources compared to larger ones (management and manpower) (Burns, 1996; Stokes and Wilson, 2017). These characteristics are problematic because they comprise a subjective element and hence are the reason why a quantitative definition was chosen by the European Commission.

It has to be taken into account that micro enterprises are often referred to as SMEs in the general use of the term (Dewhurst, 1996b). Hence according to the quantitative definition of a SME the majority of publishing houses in Austria, Scotland and Slovenia can be defined as micro and small enterprises. Thus the term SME will be used to describe them in this thesis. In addition they are independent in their decision-making processes and in case of being part of a publishing group they only share resources but are free from managerial control of the head of the group, meaning they are also SMEs according to qualitative differentiators.

## **Digitisation and Digitalisation**

The terms digitisation and digitalisation are often used interchangeably, but even though they are closely related, for the purpose of this study one needs to distinguish between the technical aspects and their wider economic, cultural and political implications. Digitisation is the antonym to analogue systems, refers to cultural expression being converted into binary code that can “be read and stored by computers” (Hesmondhalgh, 2013, p.311) and made different media forms interconnectable. Digitalisation uses digitisation and refers to “a cultural-technological process within a specific historical and institutional framework” (Colbjørnsen, 2014, p.19) as the digital dynamics are more complex than the

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<sup>148</sup> European funding for SMEs is available as part of the Horizon 2020 and the Digital Single Market initiatives.

<sup>149</sup> “The personality of the manager is imprinted on the way it operates and the personal risks they and their family face if the firm fails influences how business decisions are made.” (Burns, p. 14).

simple conversion from analogue to digital. Hence the two terms can be used to differentiate between the narrow technological aspect and the “broader societal aspects of technology in practice” (ibid, p.20).

As this thesis analyses the impact of digital technologies on publishing houses, a broader understanding of digital developments informs the research to include shifts in power, new forms of book production as well as consumption and the influence it has on a nation’s book economy. Especially relevant is that “the internet and web inherited an association of information technology with individual freedom, autonomy and decentralisation” (Hesmondhalgh, 2013, p.313). For the publishing industry this resulted in anyone being able to publish, in the sense of making content public. Thus digitalisation can be defined “as the process of digital publishing strategies and innovations playing out within an institutional context” (Colbjørnsen, 2014, p.18), hence the interplay between technological, institutional and market changes occurring during the digitisation period.

However, this thesis does not differentiate between both terms and instead uses digitisation to refer to the wider economic, cultural and political implication of digital technologies as well as the narrow technological aspects. This is because the use of the term digitalisation has not taken hold in literature and the public discussion of digital technologies. Hence the term digitisation is being used more widely today and to prevent confusion will be adopted here.

## **Innovation and Entrepreneurship**

Schumpeter (1974) explored the connection between technological change and innovation in his research on economic growth and - among other things - listed the main types of innovation: new products or the improvement of existing ones, new processes, new markets, new sources of supply and new forms of organizations (p.83).<sup>150</sup> Overall innovation is linked to newness and furthermore “[w]ithin innovation theory it is common to make a distinction between invention and innovation” (Colbjørnsen, 2014, p.25). Newness is, however, a matter of perception in relation to the unit of adoption (Zaltman et al., 1973, p.10): “what is new, how new, and new to whom” (Johannessen et al., 2001, p.20)? Hence innovation can be classified according to frequency and scale as well as the degree of newness and the area it takes place in. Literature therefore differentiates between incremental (evolutionary) and radical (disruptive) innovations.

Incremental innovations are advancements of existing products or technologies. They create value for existing customers in the main market by fulfilling their needs in a better

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<sup>150</sup> See also Schumpeter (1961). Dicken (2011) furthermore distinguishes between new products, modifications and new uses (pp.98-100).

way. Disruptive innovations on the other hand introduce new value creation logics to firms and require new competencies, a new revenue model and often different organisational structures or processes (Matzler et al., 2016, p.83). Incremental innovations do not cause internal controversies in enterprises whereas disruptive innovations create complexity and are therefore less popular (ibid). Hence it is often easier to improve products and production processes within organizations instead of starting something completely new.

Radical innovations are considered to have a bigger impact on the overall economy but the cumulative effect of incremental innovations can be as important in explaining 'development' (Fagerberg, 2009). This thesis is based on the following understanding of innovation: it means utilizing new combinations of existing knowledge and resources to "open up possibilities for new business opportunities and future innovations, and in this way set the stage for continuing change" (ibid), hence using internal strengths to create opportunities and establishing sustainable business strategies. Furthermore innovation also refers to the use of new resources and the development of new knowledge and hence generating, accepting and implementing new ideas, products, or services. This can "involve creative use as well as original invention" (Kanter, 1984, pp.20-1) which leads to the entry, growth and survival of firms and "the way entire industries change over time" (Burns, 2007, p.23).

The impact of innovation depends furthermore on the stage of development of the industry. All start with an early growth period, meaning that innovative products are being introduced into the market, then, in mature industries, innovation is about saving costs, hence about improving performance and efficiency (ibid). This provides many opportunities for internal innovation and entrepreneurs in organisations. In the end profit margins shrink as more competitors enter the market which slows down overall growth of firms while increasing the pressure to increase the profitability. This reduces the capability to invest resources into the future and promote broad innovation. Furthermore research has identified organisation size as a main influence on the ways in which innovation is managed (Tidd and Bessant, 2013, p.68). Certain advantages like "agility [and] rapid decision-making" are thereby attributed to small firms but at the same time smallness comes with limitations such as "resource constraints" (ibid, p.68).

For this study the economic, social, political and geographical context in which innovation takes place is of importance. Innovation can either take place on a local, national or global level or more commonly involve a mixture of local, national and global factors (Archibugi and Michie, 1997, p.2). Moreover, the internet has made national borders permeable but social, cultural, political, legal and economic practices still vary between nations and need to be considered when looking at innovation in publishing (Dicken, 2011,

p.102). “Despite the claims of the hyper-globalists that national distinctiveness is declining, the evidence strongly suggests that national variation in technology systems – and therefore in technological competence – persists.” (ibid, pp.102-3). Consequently the volume and characteristics of technological innovations vary between countries. “The process of knowledge creation and innovation, therefore, consists of a complex set of networks and processes operating within and across various spatial scales, from the global, through the national and the regional, to the local.” (ibid, p.106).

The term entrepreneur goes back to the French economist, Cantillon, who classified it as “the agent who purchased the means of production for combination into marketable products” as such (Dewhurst, 1996a, p.96). Today entrepreneurship is hard to define as it is “a slippery concept (...) not easy to work into formal analysis because it is so closely associated with the temperament or personal qualities of individuals” (Penrose, 1995, p.33). Schumpeter (1961) linked entrepreneurship to innovation through the personal component of the entrepreneur who initiates changes and generates new opportunities, thus disturbing the market equilibrium. Kanter (1984) defines entrepreneurship as a spirit that produces innovation and is associated with a particular way of approaching a problem, which she calls “integrative”:

the willingness to move beyond received wisdom, to combine ideas from unconnected sources, to embrace change as an opportunity to test limits. To see problems integratively is to see them as wholes, related to larger wholes, and thus challenging established practices – rather than walling off a piece of experience and preventing it from being touched or affected by any new experiences. (p.27)

This definition incorporates a focus on what is yet unknown, a vision for the future and the aim not to let the past restrain the organizational future. Today the term is mostly used when small business management is being discussed and is therefore understood as using opportunities to develop new ventures. Entrepreneurship does, however, also exist outside small business settings and is then referred to as ‘intrapreneurship’ or ‘corporate entrepreneurship’ (Bridge et al., 2003, p.335). In general entrepreneurs are the people behind innovation (Bessant and Tidd, 2015). They pick up ideas and find support and use for them within the organizational setting. This displays a broader understanding of the term and challenges the idea that entrepreneurs are only those who take the risk of founding an organisation (Kanter, 1984). The broader definition of entrepreneurship informs this research.

## Technological Change and Disruptive Innovation

Technological change is “a fundamental force in shaping the patterns of transformation of the economy” (Freeman, 1988, p.2) and an important process underlying the globalisation of economic activities. The use of technology is, however, not deterministic but “a socially and institutionally embedded process” (Dicken, 2011, p.76) driven by the aim for making profit and increasing market shares. In addition technology is “an enabling or facilitating agent. It makes possible new structures, new organizational and geographical arrangements of economic activities, new products and new processes” (ibid, p.76). Hence technological change is often a result of inventions (new things or new ways of doing things) and furthermore “depends upon the transformation of inventions into usable innovations, and the subsequent adoption and diffusion or spread of such innovations” (ibid, p.77) which in economic literature is referred to as an entrepreneurial process. Furthermore four different types of technological change can be differentiated: incremental innovations, radical innovations, changes of the technology system and lastly changes in the techno-economic paradigm (Freeman, 1987, pp.129-131).

Technological change which breaks with existing experiences and thus destroys predominant paradigms as well as unsettles the status-quo of established firms is called discontinuous change (König, 2009, pp.14-6; Mierzejewska, 2010, p.51) and in order to successfully handle those changes firms need to be innovative. In this context innovation is referred to as radical, disruptive or discontinuous when they alter given rules of an industry (Mierzejewska, 2010, pp.51-2).<sup>151</sup> Those technological discontinuities often destroy or render existing competences of established firms useless (Tushman and Anderson, 1986, p.444). Kammerlander (2013) defines discontinuous innovation as “innovations triggered by external players, that involve methods and/or materials that are novel to incumbents and that require internal adaptation along a path nonlinear to the firm’s traditional trajectory” (p.18). This view can be applied to the publishing industry as digitisation started outside the industry and the adaptation of publishing houses is nonlinear to previous developments. In addition one distinguishes between product and process innovation whereby discontinuous process innovations refer to new ways of production whereby the product itself remains unchanged. Discontinuous product innovations on the other side result in new product categories or replaces an existing product (Tushman and Anderson, 1986, p.442).

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<sup>151</sup> Those terms are often used interchangeably without clearly distinguishing them from each other. Defining those terms would exceed the scope of this work, hence it is relegated to Kammerlander (2013) who provides an overview of the different definitions and associated approaches (pp.15-7). From here on these terms will be used interchangeably.

Following Schumpeter's definition of technological change, Tushman and Anderson (1986, pp.440-1) argue that it initiates a circular adaptation process: discontinuous technology is followed by an "era of ferment" during which multiple designs compete with each other until one dominant design prevails. This is followed by an "era of incremental change" during which the dominant design is being improved and it comes to a standardisation – until a new discontinuous technology triggers again such a cycle.<sup>152</sup> Despite older technologies persisting and remaining useful (Edgerton, 2007), new discontinuous technologies advance with exponential speed and thus help sector borders to dissolve and encourage new competitors to enter the market with new BMs (Matzler et al., 2016).

## **Electronic Publishing**

Electronic publishing (e-publishing) refers to a mode of publishing where content is distributed in electronic form, mostly via the internet (Wirtz, 2011, p.242). Beside the technical definition the term e-publishing is also used to describe the electronic publication itself, the content and how it is communicated. Overall the term comprises a production oriented component, a technical based understanding and can be derived from the media choices in the communication process (Goderbauer-Marchner and Glasauer, 2014, p.2). Overall e-publishing can be seen as a response to the increasing mobility of the wider society as well as the flexibility and pace of a digital generation (ibid, p.3).

Definitions with a technical focus define e-publications according to the output format and types of data whereas the production oriented definitions have a broader understanding of the term, including the publication and the consumption through recipients independent from a specific point in time (ibid, p.4). Media focused definitions on the other side make a distinction either according to the published end product (online and offline e-publishing) or to the communication partners and their functions. This hints at the changing role of publishing houses as e-publishing introduced a new directness in the production process with the option of immediate feedback of consumers. Hence most e-publishing definitions place a strong focus on the direct communication between the producer and the recipient (ibid, pp.6-7).

To sum this up, e-publishing can mean different things, depending on whether it is viewed from an information technology perspective or from a content and publishing viewpoint. This thesis uses an economic and publishing approach and hence in the following e-publishing refers to all activities that need to be performed in order to circulate

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<sup>152</sup> At the point of this study the publishing industry is still in an "era of ferment" but some nations are closer to its end than others. For example Slovenia is not as far into the adaptation process as the UK or the US.



content electronically as well as all public forms of time-independent communication between a content producer and a recipient by means of digital content (Scholze and Stephan, 2002, p.2614).

## **Storytelling**

The rise of digital media has encouraged storytelling in different forms, using new platforms to engage various audiences. A focus on multimedia features in publishing resulted among other things in enhanced e-books, audiobooks and interactive apps, where audiences consume content not only through reading but also through listening, watching and participating (e.g., as content creators). Hence, an integral part of trade publishing today is to disseminate content systematically across multiple channels and in multiple forms “for the purpose of creating a unified and coordinated entertainment experience”, where each medium makes a “unique contribution to the unfolding of the story” (Jenkins, 2007). This expands the options of publishing houses to reach new audiences as well as new ways to exploit their intellectual property.

This is often referred to as transmedia storytelling, or multiplatform storytelling, and can be understood as storytelling across media (ibid.). Content is adapted to different platforms in order to reach distinct audiences and thus reaching a larger audience overall. For this research, storytelling signifies the development of stories across multiple platforms to deliver unique pieces of content through each medium. Interviewees referred to storytelling when talking about multichannel publishing strategies where different media are used to add something unique to the story, to provide a new perspective on the content, or to provide context. Instead of strict adaptation (pure transmedia), the dispersing of content across various media which means translating one medium to another (e.g., a book becomes an e-book or a film), publishers found it more valuable to focus on transmedia storytelling where each medium or platform adds something different and new to the story. This can sometimes blur the line between marketing and entertainment.

## **Book Culture**

Book culture is another elusive concept without a clear definition because culture in itself is already a “complex, versatile concept” (Kurschus, 2015, p.349).<sup>153</sup> Overall book culture is concerned with the special status books have in most countries due to them being

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<sup>153</sup> Culture in this context can be described as “a blend of values, rituals and traditions as well as institutions upholding and developing this specific culture” (Kurschus, 2015, p.19). Furthermore those values, attitudes and beliefs are commonly shared by a group and this “group may be defined in terms of politics, geography, religion, ethnicity or some other characteristics” (KEA European Affairs, 2006, p.44). Culture is moreover an ever-changing concept that developed historically (Kurschus, 2015, p.138) and thus is overall a heterogenic concept.

associated with certain values, especially their connection with a cultural and individual identity. Kurschus (2015) concludes in her research about European book cultures that “[b]ook culture is a construct of – justly and unjustly attributed – values, which are based on traditions rooted in the millennia of human cultural development, and of institutions upholding these traditions.” (p.349).<sup>154</sup> Hence books like other cultural products influence “our understanding and knowledge of the world” (Hesmondhalgh, 2013, p.4) and have three things in common: „they involve some form of creativity in their production; they are concerned with the generation and communication of symbolic means; their output potentially embodies at least some form of intellectual property“ (KEA European Affairs, 2006, p.44). A book is not only a “technical medium for the storage of information” but plays also an important role “in constructing identity” and creating a feeling of belonging (Kurschus, 2015, p.20-1). This stems from nations’ needs to define their own national identity in order to distinguish themselves from others in an increasingly globalised world and thus “use the book and the literature it represents as one of their identifying factors” (ibid, p.139). Overall book culture can be described as a “blend of individual national cultures and media culture. It is in part trans-national, for there are aspects to book culture, which are common to all countries. [...] At the same time, book cultures are local as they are intertwined with the national culture and identity of any given nation” (ibid, p.44). Hence national book cultures have unique characteristics by which they can be distinguished from one another. Kurschus (2015) used the following indicators to differentiate book cultures in her research: contextual information (e.g. media habits), the public library network, the book market (e.g. number of publishers, publications, booksellers etc.) and book promotion measures by the state (e.g. book policy like fixed book price agreement, grant systems and subsidies).

Especially state support for the publishing industry and protection of the book as a cultural product needs to be evaluated in the light of an ongoing discussion about whether books are more than consumer goods and if so how much value can be prescribed to them being foremost cultural goods worthy of specific measures of support. For example all member states of the EU apply book promotion measures such as reduced VAT rates. “These measures and projects are considered to balance detrimental market effects such as a loss of diversity because of consolidation.” (ibid, p.22).

In recent years debates about the interference of legislators with the book trade have become more prominent due to changes in the market as a result of digitisation and the re-emergence of the questions of the duality of the book as a cultural and material good. Especially knowledge dissemination and the scholarly discourse are affected by developments in communication and do no longer primarily rely on printed books, but instead

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<sup>154</sup> Libraries are for example such institutions.

other values gained in importance (e.g. free access to information and knowledge) which in turn caused changes in the book culture as well. The role of the book in “constructing national identity” (ibid, p.349) has gained in importance, however, as it is still viewed as “contributing to a national prestige” (ibid, p.110). Thus book culture also develops and needs to change and incorporate new ideas. “The rituals and traditions connected to the book have lost their appeal and their status within everyday life.” (ibid, p.138). This raises the question whether state support and intervention in the book market are still justifiable to guarantee diversity in reading options or whether the book is losing its special status in encouraging a cultural discourse.

To conclude, in the context of this study book culture is relevant in two regards: first of all the digital age is responsible for the diminishing role of the book as primary medium because “digitisation is causing a major transformation of our book reading and buying culture” (van Der Weel, 2009, pp.148-9). This means that book culture too is in transition as the book might lose its privileges, roles and status within society (Kurschus, 2015, p.138). Secondly book culture is important to understand the different book policies in Europe and their aim to strengthen local and national cultures. The book is still seen as an important medium for cultural exchange and thus its status is nonetheless perceived as worth being protected by legislators in Europe. In addition the globalisation of the book market and book culture has led to a refocusing on national book culture and identity (ibid, p.354). For now national governments as well as common legislation in Europe still support the book trade, resulting in scattered book policies. This has to be seen in the light of increased internationalisation of book markets (especially book distribution and the formation of media conglomerates) and hence concentration limiting the influence of national policy makers. Overall this research makes use of the indicators of book culture as described by Kurschus (2015) and summarised above.

### **Business Model**

The business model is an ambiguous term that is often used to explain competitive advantages of enterprises (Amit and Zott, 2001; Zott et al., 2011; Wirtz, 2013). During the last decade the term has gained in importance because of the changing competitive conditions: globalisation, deregulation, speedier innovation cycles as well as economic interdependencies lead to markets that are very dynamic, highly competitive and more complex. Hence a re-evaluation of established business models is needed especially due to the exponential growth of the digital economy and internet technologies which offer new competitive advantages to firms.

For this study a business model is understood to describe the way a business creates, captures and disseminates value and how the business is positioned within the wider value network of the publishing industry. It comprises three components: the value proposition, the revenue model and the value creation process on the micro (individual firm) and meso level (position within the value creation system of the industry).<sup>155</sup>

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<sup>155</sup> This is explained in detail in III.2.

## Appendix 2: Call for Study Participants

### (1) Letter sent out to publishing houses in Austria



Merchiston Campus, Edinburgh EH10 5DT  
School for Arts and Creative Industries

Name Verlag

Herr/Frau

Adresse

Austria

### Bitte um einen Gesprächstermin im Rahmen meiner Doktorarbeit

Sehr geehrte/r Frau/Herr,

wie in meiner E-Mail angekündigt, möchte ich Sie nochmals einladen, an meinem PhD Forschungsprojekt teilzunehmen. Ich forsche zurzeit am Institut für Kreative Industrien der Edinburgh Napier Universität in Kooperation mit dem Mainzer Institut für Buchwissenschaft an der Johannes Gutenberg-Universität.

Ziel der Arbeit ist es, zu verstehen, welche Auswirkungen die Digitalisierung auf die Geschäftspraxis sowie die Geschäftsstrategien von Buchverlagen in Europa hat. Ich beleuchte, wie Digitalisierung in ausgewählten Ländern die Distribution und Vermarktung von Texten verändert hat und zusätzlich welche Möglichkeiten und Herausforderungen durch die Digitalisierung entstehen. Des Weiteren werde ich gesetzliche Rahmenbedingungen auf eventuelle Verbesserungen zur Unterstützung des Verlagswesens hin untersuchen.

In einer fallstudienbasierten Forschungsphase möchte ich hierzu Interviews mit Geschäftsführern ausgewählter Verlage führen, welche verantwortlich für die Entwicklung und Umsetzung neuer Geschäftsstrategien sind. Aufgrund Ihres Angebotes sowie der Veränderungen, welche in den letzten Jahren in Ihrem verlegerischen Umfeld stattgefunden haben, ist Ihr Unternehmen für meine Untersuchung von besonderem Interesse. Daher würde ich mich freuen, wenn Sie sich dazu bereit erklären, in einem etwa 30-minütigen Gespräch einige Fragen zu Möglichkeiten, Herausforderungen und Gefahren einiger Aspekte der Digitalisierung zu beantworten.

Um die organisatorischen Details zu klären, kontaktieren Sie mich bei Interesse an einer Teilnahme an meinem Forschungsprojekt per E-Mail ([a.klamet@napier.ac.uk](mailto:a.klamet@napier.ac.uk)). Gerne sichere ich Ihnen die vertrauliche Behandlung der mir zur Verfügung gestellten Informationen schriftlich zu. Sollten Sie weitere Fragen bezüglich meines Forschungsprojektes haben, stehe ich Ihnen jederzeit telefonisch oder per E-Mail zur Verfügung.

Ich hoffe auf Ihr Interesse und verbleibe mit freundlichen Grüßen,

## (2) Letter sent out to publishing houses in Scotland and Slovenia



Merchiston Campus, Edinburgh EH10 5DT  
School for Arts and Creative Industries

Name Publishing House

Mr/Ms

Address

Slovenia

Scotland

### Invitation to participate in a doctoral research project

Dear Mr/Ms,

As promised in my previous e-mail, I would like to invite you once again to participate in my PhD research project. I undertake this research at the Institute for Arts and Creative Industries at Edinburgh Napier University in collaboration with the Institute for Book Science at Johannes Gutenberg- University Mainz. The purpose of the project is to understand how digitisation influences business practices and strategies of publishing houses in Slovenia. The project aims to look at changes in publishing practices in selected countries to promote and distribute books and in addition examines which opportunities or challenges arise due to digitisation. I will also look at policy frameworks and whether they should be improved.

During a case study based research phase I will now conduct interviews with managers responsible for the development and implementation of new business strategies in selected publishing houses. Due to your offerings as well as the changes, which are happening in your businesses environment, your company is of particular interest for my research. Therefore I would be pleased if you would agree to answer some questions during an approximately 30-minute long conversation about opportunities, challenges and threats of some of the aspects of digitisation.

In order to clarify the details, please contact me during the next weeks in case you are interested in participating in my research project ([a.klamet@napier.ac.uk](mailto:a.klamet@napier.ac.uk)). All the information you are giving me will of course be handled confidentially. In case you have further questions regarding this research project, please don't hesitate to contact me at any point either via phone or e-mail.

I hope to have sparked your interest and looking forward to hearing from you.

With regards,

## Appendix 3: Questionnaires

### (1) Questionnaire in German; used to conduct interviews in Austria

#### Preliminary Remarks

Ich möchte kurz noch einmal das Ziel meines Forschungsprojektes zusammenfassen:  
Ich untersuche welche Auswirkungen die Digitalisierung auf die Verlagsindustrie in kleinen Nationen in Europa hat – ich möchte einen Überblick über die Situation heute bekommen. Dabei konzentriert sich meine Forschung vor allem auf neue Möglichkeiten und Vorteile der Digitalisierung für kleine Verlage Titel von österreichischen Autoren zu publizieren und zu distribuieren.

Das Ziel des Interviews ist dabei, besser zu verstehen, welche Auswirkungen Digitalisierung auf Ihren Verlag hatte oder noch hat und welche Möglichkeiten und Bedrohungen Sie für die Zukunft des Verlages ausmachen. Ich würde außerdem gerne darüber sprechen, ob Digitalisierung Ihre Geschäftsstrategie beeinflusst hat oder nicht.

Mein Forschungsprojekt wird von der Edinburgh Napier Universität finanziert, was bedeutet, dass dieses Interview ausschließlich das wissenschaftliche Verständnis von der Verlagsindustrie erweitert. Keine ökonomischen Interessen sind in dieses Projekt involviert.

Alle Informationen, die Sie mir geben, werden vertraulich behandelt. Ich werde Ihnen ein Transkript unserer Konversation in den nächsten Wochen zur Verfügung stellen, um Ihnen die Möglichkeit zu geben, noch einmal in Ruhe über die Informationen nachzudenken. Nur was Sie autorisieren wird letztendlich auch in meiner Arbeit verwendet werden. Ich werde selbstverständlich auf Ihren Wunsch hin alle Informationen anonymisieren und sollten Sie nicht damit einverstanden sein, in meiner Doktorarbeit zitiert zu werden, lassen Sie es mich wissen. Dann werde ich alle Informationen, die Sie mir geben, lediglich als Hintergrundinformationen verwenden.

Habe ich Ihr Einverständnis, unser Gespräch aufzuzeichnen? Niemand außer mir wird Zugriff auf diese Audiodatei haben. Es würde es mir nur leichter machen, mich ganz auf das Gespräch zu konzentrieren und es würde sicherstellen, dass keine wichtigen Informationen verloren gehen.

#### General Information (Publishing House)

Wie viele Bücher verlegen sie im Durchschnitt pro Jahr (Neuerscheinungen und Neuauflagen)?  
Wie viele dieser Titel sind Übersetzungen und wie viele sind von Autoren, die in Deutsch schreiben? Wie viele Autoren aus Österreich sind in Ihrem Portfolio an Autoren?  
Wie viele ihrer Bücher erscheinen auch als E-Book?  
Wie viele Backlisttitel sind als E-Book erhältlich?  
Wie viele Mitarbeiter sind bei Ihnen beschäftigt?

#### Thematic Block Digitisation & Innovation

Wenn Sie über Digitalisierung nachdenken, was sind die größten Veränderungen in Ihrem Verlag und in der Industrie?

Hat Globalisierung einen Einfluss auf Ihren Verlag? Wie?

Eröffnet Ihnen Digitalisierung neue Möglichkeiten oder eher Nachteile im Vergleich zu großen Verlagen und internationalen Konglomeraten?

Wo und wie informieren Sie sich über Innovationen in der Buchindustrie? Verfolgen Sie die technologischen Entwicklungen und Innovation außerhalb der Verlagsbranche?

Was ist hauptsächlich für Innovation in Ihrem Verlag verantwortlich: Technologie oder Kundenwünsche?

Was hat bei Ihnen zurzeit größere Priorität: die Nachhaltigkeit/Tragfähigkeit von neuen Projekten und Produkten oder das Investment in digitale Strategien und Experimentieren mit neuen Ideen. Würde ihre Firma finanzielle Verluste als Resultat solcher Experimente tolerieren?

### **Thematic Block Strategy**

Was sind die Pläne für den Verlag in den nächsten Jahren? Welchen Einfluss hat Digitalisierung auf Ihre langfristige Strategie?

Wie sieht ein strategischer Entscheidungsprozess bei Ihnen für gewöhnlich aus? Wer ist involviert und wer hat das letzte Wort?

Wird sich Ihr Kernprodukt mit großer Wahrscheinlichkeit während den nächsten Jahren ändern?

### **Thematic Block Business Model and Business Model Innovation**

#### 1) Value Proposition/Product Architecture

Können Sie das Nutzenversprechen Ihres Verlages erklären? Was macht dieses Nutzenversprechen einzigartig/besonders?

Bieten Sie neue Produkte an, die sie vor ein paar Jahren noch nicht angeboten haben? Verlegen Sie digitale Editionen die so nicht als Printbuch erhältlich sind (E-Book only Version)? Planen Sie dieses Angebot auszuweiten? Ist dies ein Segment in das Sie investieren?

Wer sind Ihre Kunden?

Können Sie die Beziehung beschreiben, die Sie mit Ihren Kunden haben? Hat sich diese Beziehung verändert?

Wie erreichen Sie Ihre Kunden? Haben Sie nun einen größeren Kundenkreis dank des Internets (Kunden aus dem Ausland zum Beispiel)?

Durch welche Kanäle vertreiben Sie Ihre Produkte? Wie distribuieren Sie E-Books?

Hat die Position von Amazon, Apple und co. in der E-Book Distributionen Einfluss auf Ihr Geschäft? Auf welche Weise?

Sehen Sie eine Möglichkeit Ihre Position in dem neuen Marktumfeld zu verbessern? Kann der Gesetzgeber etwas tun (nationales Parlament oder EU) oder kann etwas auf Industrieebene verbessert werden?

Wie vermarkten Sie neue Produkte? Nutzen Sie neue Formen des Marketings und kommunizieren Sie anders mit Ihren Lesern?

#### 2) Revenue Model (incl. Pricing and Key Markets)

Was sind Ihre Einnahmequellen? Gibt es neue Einnahmequellen? Planen Sie neue Erlösquellen zu integrieren? Bieten Sie z.B. E-Books via E-Lending oder Abo/Flatrate an?

Hat sich Ihre Kostenstruktur während der letzten Jahre verändert? Wie ist Ihre Kostenstruktur modelliert um Profit zu erzielen?

Wie viel Prozent ihres Erlöses kommt von digitalen Produkten?

Wie viel Prozent ihres Budgets investieren Sie in digitale Strategien/in die Entwicklung digitaler Produkte?

#### 3) Value Creation Process (internal, micro level)

Was sind Ihre Kernkompetenzen und Kernressourcen? Haben sich diese durch die Digitalisierung geändert? Hat die Digitalisierung ihre internen Prozesse verändert? Denken Sie, sie benötigen andere Kernkompetenzen in der Zukunft? Oder achten Sie bei der Einstellung neuer Mitarbeiter bereits auf neue Kompetenzen?



Wenn Sie an die verschiedenen Schritte denken, die in Ihrem Unternehmen ablaufen bis ein verkaufsfertiges Produkt entsteht, gibt es neue Aktivitäten/Schritte im Produktionsprozess, die es vor der Digitalisierung noch nicht gab?  
Haben Sie evtl. sogar die Organisationsstruktur verändert?

4) Value Chain/Value Network (external, meso level)

Wer sind ihre Hauptwettbewerber? Gibt es neue Wettbewerber? Und was ist Ihr Wettbewerbsvorteil?

Sehen Sie Self-Publishing als Wettbewerb?

Wie sieht es mit den Nachbarländern wie Deutschland aus? Stellen Länder mit derselben Sprache eine Herausforderung dar? Falls ja, warum und wie?

Wer sind Ihre wichtigsten Partner? Haben Sie neue Partner? Sind sie Teil einer Kooperation/eines Joint Ventures?

Mit welcher Art von Service Providern arbeiten Sie während des gesamten E-Book Produktions- und Distributionsprozesses zusammen?

Erledigen Sie neue Aufgaben die vorher eine externe Firma übernommen hat?

Wir haben viel über Veränderungen durch Digitalisierung in Ihrem Verlag gesprochen. Was waren die größten Herausforderungen während der Entwicklung und Implementierung neuer Strategien? Welche Faktoren haben die größten Probleme auf Branchenlevel verursacht? Und generell, was denken Sie sind Schranken und Treiber für die Entwicklung neuer Geschäftsstrategien und deren Umsetzung/Implementierung?

### **Thematic Block Policy Frameworks**

Gibt es Gesetze und Regularien, die Ihre digitale Strategie behindern?

Gibt es Projekte, die sie auf Grund solcher Gesetze nicht umsetzen können?

Wenn Sie jegliche gesetzlichen Regeln und Rahmenbedingung ändern könnten, um die digitale Entwicklung Ihres Unternehmens voranzutreiben, was wäre das?

Welche Regelungen funktionieren gut/unterstützen/fördert Ihre Ziele und Strategien?

Fällt Ihnen etwas ein, wie die Regierung Ihr Unternehmen unterstützen könnte?

Wie besorgt sind Sie auf Grund von online Piraterie/illegalen Downloads? Tun Sie etwas, um sich vor illegalen Downloads zu schützen (DRM zum Beispiel)?

Haben Sie schon von der EU Initiativen wie dem European Single Market gehört?

### **Open last Question**

Was denken Sie ist die größte Chance der Digitalisierung für Ihr Unternehmen? Was ist die größte Bedrohung/Herausforderung für ihren langfristigen Erfolg?

### **Closing Remark**

Ich habe keine weiteren Fragen mehr im Moment. Gibt es noch etwas, dass Sie gerne zum Thema hinzufügen möchten? Gibt es aus Ihrer Sicht noch wichtige Aspekte, welche wir nicht angesprochen haben im Laufe des Gesprächs?

## **(2) Questionnaire in English; used to conduct interviews in Scotland and Slovenia**

### **Preliminary Remarks**

I would like briefly to summarise the aim of my research again:

I am investigating how digitisation has affected the publishing industry in smaller nations in Europe – to get an overview of the situation today. The research focuses especially on new possibilities and advantages of digitisation for small publishing houses to publish and distribute local language titles.

The aim of this interview is to understand better how digitisation has or has not affected your business and what opportunities and threats you are seeing for your company in the future. I would also like to hear whether digitisation had and has an impact on your business strategy or not.

My research is funded by Edinburgh Napier University, which means that the sole purpose of this interview is to enhance the scientific understanding of the publishing industry. No economic interests are involved in this research project.

All information you are giving me will be treated confidentially. I will send you a transcript of our conversation shortly after today to give you the opportunity to make changes to the material. If it is your wish, I will also anonymise anything you say and if you don't feel comfortable to be cited in my final thesis, let me know and I will use the information you are giving me solely as background information.

Do I have your permission to record our conversation? No one will access this audio file except me. This would make it easier for me to concentrate on our conversation and would ensure that no valuable information will be lost.

### **General Information (Publishing House)**

How would you describe your core business?

How many books are you publishing on average per year? How many titles are translations and how many are from authors writing in [LANGUAGE OF COUNTRY]? How many authors from your country are in your portfolio?

How many of these are also published as e-book?

How many backlist titles are available as e-books?

How would you describe the culture in your company?

How many people work at this publishing house?

### **Thematic Block Digitisation & Innovation**

When you think about digitisation, can you describe the biggest changes in your business and in the industry?

Has globalisation affected your business? How?

Does digitisation offer opportunities or disadvantages compared to larger publishing houses and international publishing conglomerates?

How do you inform yourself about innovation in the book industry? Do you keep track of technological innovations outside the book industry?

What is the main driver for innovation in your company: technology or new customer demands?

What has more priority for your company at the moment: the sustainability of new projects and products or the investment in digital strategies and experimenting with new ideas? Would your company tolerate financial losses as a result of those experiments?

### **Thematic Block Strategy**

What are the plans for the company in the next years? Has digitisation had an impact on your long-term strategy? If yes, how is it affecting your strategy?

How does a strategic decision-making process usually look like in your company? Who is involved and who has the final say?

Is your core product likely going to change during the next years?

### **Thematic Block Business Model and Business Model Innovation**

#### Value Proposition/Product Architecture

Could you explain your value proposition? And what makes this value proposition unique?

Do you offer new products – products you did not offer a couple of years ago? Do you publish any digital editions that are not also available as a print version (e-book only version)? Are you planning to expand your e-book offerings? Is it a segment you are investing in?

Who are your customers?

Can you describe the relationship you have with your customers? Did the relationship with your readers change? How do you reach them?

Do you have a wider audience now thanks to the internet (customers also from abroad, for example)?

Through which channels do you distribute your products? How do you distribute the e-books?

Does the position of Amazon, Apple and co. in the e-book distribution affect your business? In which way?

Do you see any way to improve your position in this new market environment? Is there something that could be done on industry level or even from the side of the legislator (national parliament, EU)?

How do you market your products? Do you use new forms of marketing and ways of communicating with your audience?

#### 5) Revenue Model (incl. Pricing and Key Markets)

Where does your revenue come from? Are there new revenue streams? Do you have plans to include new forms of income? Do you offer your e-books via e-lending or subscription sites?

Did the cost structure change over the last years? How is your cost structure modelled to achieve profit?

How many percent of your revenue comes from digital products?

How many percent of your budget is invested in digital strategies/into developing digital products?

#### 1) Value Creation Process (internal, micro level)

What are your key resources and key competencies? Did they change because of digitisation? Did that influence internal processes? Do you think you will need other key competencies in the future? Are you already looking for other qualifications when hiring new employees?

When you think about the different steps that take place in your business until a marketable product is ready, are there any new activities/steps in the production process? Did you even change the organisational structure?

2) Value Chain/Value Network (external, meso level)

Who are your main competitors? Are there new competitors? And what is your competitive advantage?

Do you see self-publishing as a competition?

What about neighbouring countries? [Scotland: does the wider English-speaking market pose a challenge for your publishing activities and if yes, how/why?]

Who are your most important partners? Are there new ones? Are you part of any co-operations/joint ventures, etc.?

With which kinds of service providers are you working together during the whole e-book production and distribution process?

Do you fulfil new tasks now that were previously taken care of by external companies/other companies involved in the publishing network?

We talked a lot about change in your business because of digitisation. What were the greatest struggles while you were developing and implementing new strategies? What factor posed the biggest challenge on industry level? In general what do you consider to be barriers and drivers for developing new business strategies and then implementing them?

### **Thematic Block Policy Frameworks**

Are there any rules/regulations which hamper your digital strategy?

Are there projects which you cannot realise because of existing regulations?

If you could change any existing rule or framework to support the digital development of your company, what would that be?

Which regulations work well/in favour of your strategies/goals?

Can you think of ways in which the government could support your business?

How concerned are you with piracy? Are you doing anything to protect yourself against piracy (DRM for example)?

Have you heard of EU initiatives like the European Single Market?

### **Open last Question**

What do you consider to be the greatest opportunity of digitisation for your company? What is the biggest threat for your long-term success?

### **Closing Remark**

I do not have any further questions at the moment. Is there anything you want to add to the topic? Are there any important aspects that were not considered during our conversation so far?

## Appendix 4: Study Participants

### (1) Austria

Name Publishing House	Focus	Role Interviewees	Ownership Structure	Interview Date	Interview Mode
Publisher A	Academic/Scientific publishing & Non-fiction	Director for new products (print & digital)	Family owned before publishing house was taken over by a German publishing group (limited company) in 2017	16/10/2017	Phone
Publisher B	Non-fiction & Fiction with focus on Austria	Director	Owned by director (founder deceased)	10/11/2016	Face to face
Publisher C	Fiction	Director & Founder	Owned & run by founder	08/11/2017	Face to face
Publisher D	Fiction	Directors & Founders	Owned & run by founders	09/11/2017	Face to face
Publisher E	Non-fiction	Director & Founder	Owned & run by founder	08/11/2017	Face to face
Publisher F	Non-fiction & Travel guides	Director	Foundation/Trust Limited company	19/10/2017	Phone
Publisher G	Non-fiction	Director	Parent organisation is part of a global mass media & entertainment company	09/11/2016	Face to face
Publisher H	Fiction & Non-fiction	Director & Founder	Owned & run by founder	09/11/2017	Face to face
Publisher I	Non-fiction & Fiction	Director	Family owned	10/11/2016	Face to face
Publisher J	Fiction & Poetry	Director & Founder	Owned & run by founder	29/10/2017	E-mail
Publisher K	Children's books & YA	Director	Family owned and run	10/11/2016	Face to face
Publisher L	Fiction	Director	Family owned (German publishing group with a Swiss imprint)	03/11/2017	Phone
Publisher M	Fiction, Non-Fiction, Children's books	Director & Founder	Owned & run by founder	11/11/2016	Face to face
Publisher N	Non-fiction & Art & Fiction	Director	Owned by a press association (director is also the head of the association)	10/11/2017	Face to face
		Industry Expert, Consultant		10/11/2016	Face to face

Publishing House	Employees	Founding Year	Titles published per year	Titles total <sup>156</sup>	Revenue Share of Digital Products	Pricing Strategy e-books (compared to print versions)	Online Presence <sup>157</sup>	Funding <sup>158</sup>
Publisher A	50	1853	~250	2500, 3000 e-books and 33 eJournals (2014)			T, NL, Online Shop	No
Publisher B	4	1999 <sup>159</sup>	~20	400	7,5-8,5%	Between 14,99€ and 19,99 (roughly -25%)  No consistent strategy	FB, NL, T, Online Shop	Yes (Verlagsförderung 110.000€ + Subsidies for advertisement and distribution in Germany 20.000€)
Publisher C	1 30% job	2014	~2	7	~15%	9,99€ (-60% (hardcover; -45% paperback)	FB, T, NL  20% direct sales	Yes (Zukunftsfond der Republik Österreich)
Publisher D	4	1953	~40	2000 (each publishing house ~1000)	3-5%	9,99€, (-40-50%) 12,95€ (-40%) 15,99€ (-25%)	FB	Yes (Verlagsförderung 30.000€ + Subsidies for representation at book fair in Germany 3.700€)
Imprint		1987				12,95€ (-15%)  No consistent strategy		Yes (Verlagsförderung 60.000€ + Subsidies for Marketing and Distribution 15.000€ + Subsidies for author royalties 5.500)
Publisher E	5	2004	20	130	~3% (declining) but Amazon rights sales up	Between 13,99€ and 16,99€ (-15%)	FB, T, YT	No

<sup>156</sup> Figures for all three cases are for 2018 unless otherwise specified.

<sup>157</sup> T=Twitter, FB=Facebook, IN=Instagram, NL=Newsletter, YT=YouTube.

<sup>158</sup> Figures are for 2017 according to the *Kunst- und Kulturbericht* (Bundeskanzleramt, 2018). In total 2.664.500€ was spent on the *Verlagsförderung* and for marketing and distribution (*Verlagsförderung* in a wider sense). Individual book projects were subsidised with a total of 249.642€.

<sup>159</sup> In 2004 two new owners took over and since 2008 one of the two is sole owner.

Publisher F	3,5 only book publishing; 70 whole publishing group	1977 <sup>160</sup>	~20	200	~10% (40% of total revenue from online shop)	14,99€ (-25%)	FB, T, YT, IN, Online Shop (books from other publishers on sale too)	No
Publisher G	1 + 15-20 freelancer	1976, 2004 ownership change	12-16	147 (85% of backlist available as e-books)	5-10%	9,99€ (-50%)	FB, NL, Online Shop <sup>161</sup>	No
Publisher H	4	2000			~10%	Between 13,99€ and 16,99€ (-25%)	T, FB	Yes (Verlagsförderung 120.000€ + Subsidies to publish 3 literary titles 13.000€)
Publisher I	7	1951 <sup>162</sup>		400		Between 14,99€ and 16,99€ (-25%)	T, FB, IN, Online Shop	Yes (Verlagsförderung 30.000€)
Publisher J	2	2005	~15	200	~5%	No consistent strategy (mostly -50%)	FB, Blog	Yes (Verlagsförderung 30.000€)
Publisher K	3	1967 (family owned)	18-20	180	~10% (growing)	Between 9,99€ and 10,99€ (-15%)	FB, Online Shop (print only)	Yes (Verlagsförderung 30.000€)
Publisher L	10 + share of costs for marketing and distribution in Germany (as part of publishing group)	1924 <sup>163</sup>	30-35	200	5-10%	11,99€ (same price as paperback edition) 16,99€ (-25%)	T Online Shop (but sales are only marginal, slow growth)	Yes (Verlagsförderung 120.000€ + Subsidies for publishing a literary title 2.000€)

<sup>160</sup> The company started as a newspaper and in 1981 a proper publishing organization was established. In 1987 a separate book publishing division was founded.

<sup>161</sup> Web shop links to *Amazon*.

<sup>162</sup> In 1966 publishing house became part of a German publishing group. In 2002 the son of the founder bought back the publishing house from the German publishing group. Since then it has been set up as an independent publishing house.

<sup>163</sup> 1996 acquisition through a German publishing house.

Publisher M	5	1984	~40	>900	~8%	Between 9,99€ (-40%) and 17,99€ (-15%)  No consistent strategy (mostly -4 or -5 €; -20%)	T, NL, Online Shop	Yes (Verlagsförderung 120.000€ + Subsidies for marketing and distribution in Germany 30.000€ + Subsidies for two publishing projects 20.000€)
Publisher N	10	1863 <sup>164</sup>	50 (45, incl 2 reprints)	60	<1%	14,99€ (-33%)	FB, IN, NL, Online Shop (print only)	No

<sup>164</sup> Since 1963 new owner structure (association).



## **(2) Scotland**

<b>Name Publishing House</b>	<b>Focus</b>	<b>Role Interviewees</b>	<b>Ownership Structure</b>	<b>Interview Date</b>	<b>Interview Mode</b>
Publisher a	Non-fiction	Directors & Founders	Owned & run by founders	04/04/2017	Face to face
Publisher b	Educational publishing	Director & Founder	Owned & run by founder	06/04/2017	Face to face
Publisher c	Children's books	Chief Executive Publisher	Independent	21/03/2017	Face to face
Publisher d	Fiction	Director & Co-founder <sup>165</sup>	Owned & run by founders	28/03/2017	Face to face
Publisher e	Educational publishing	Director & Founder	Owned & run by founders	05/04/2017	Face to face
Publisher f	Fiction, Non-Fiction & Poetry (Scottish Interest)	Director	Owned by director (founder deceased)	03/04/2017	Face to face
Publisher g	Fiction & Non-Fiction (Scottish interest)	Chief Administrative Officer Operations Manager Managing Director	Non-for-profit limited, 15 shareholders & 7 directors	27/03/2017	Face to face
Publisher h	Fiction & Non-Fiction	Publisher, Director & Founder	Owned & run by founder	13/10/2017	Face to face
Publisher i	Fiction, Non-fiction, Gaelic books	Managing Director Assistant Publisher Marketing & Publicity Officer	Owned & run by founder	06/04/2017	Face to face
Publisher j	Non-Fiction, Reference books, Children's books, graphic novels, fiction (Scottish interest)	Director & Founder	Owned & run by founder	21/04/2017	Face to face
Publisher k	Non-Fiction, Academic & Professional books	Publisher	Owned & run by founder	07/04/2017	Face to face
Publisher l	Non-fiction	Publishing Manager	Publishing unit of a non-for-profit community	22/03/2017	Face to face

<sup>165</sup> The interviewee left the publishing house in April 2017.

Publishing House	Number of Employees	Founding Year	Titles published per year	Titles total	Revenue Share of Digital Products	Pricing e-books	Online Presence	Funding
Publisher a	2	2009	3	~20	24-31%	Between 0,99£ and 7,50£ (at least -50%)	FB, IN, T, YT, NL, Blog	Go See Fund + Creative Scotland funding
Publisher b	6	2008				No e-books	Web Portal, Online Shop	Yes
Publisher c	15	1976	60-70 (~150 backlist titles digitised)		2-3%	No consistent pricing strategy Between 0£ and 9,99£	FB, NL, T, YT, Pinterest, Online Shop	Yes
Publisher d	3 full time & 3 part time	2011	~22 + co-publishing contracts	~100	10%	No consistent strategy	FB, T, NL, Online Shop	Creative Scotland
Publisher e	4		~15	30	5%	No consistent strategy Between 17£ and 40£	FB, T	No
Publisher f	4	1981 (1997 taken over by new owner)			~15%	Between 3,99£ and 8,50£ (mostly -50%)	NL, FB, IG, YT, T, Online Shop	Yes
Publisher g	3 (plus interns)		6-10 (almost all exist as e-books)		~5%	3.99£ (-40%)	FB, T, NL, Blog	project funding from smaller funding bodies
Publisher h	3	2000	15		10-15% Used to be ~20%	Between 3£ and 6£ (mostly -50%)	T, NL	Publishing & Creative Scotland
Publisher i	9	2002	25-30 (e-books since 2011)		42% in 2014, now 20-25%	Between 2,5£ and 6£ (mostly -50%)	NL, YT, FB, T	Creative Scotland & Gaelic Book Council
Publisher j <sup>166</sup>	5	1988	Depends on year (40-80)	289 product lines <sup>167</sup> (2200 books in total); 76 e-books	~2%	Between 4,99£ and 5,99£ (-50%)	FB, T	No (want the books to stand on their own)
Publisher k	4	2002	25-30; 1/3 technical/ academic titles	180 general (115 e-books), 90 academic (all as PDF)	4% trade (growing), 25% academic	Between 7£ and 8,99£ (mostly -50%)	NL, Online Shop	Highland Councils Graduates Placement Scheme
Publisher l	2.5 full time	1985	8-12 + 20-30 original short downloads	106 e-books (end of 2015); ~300 books	~25%	Between 4£ and 9£ (~ -30%)	NL, FB T, Online Shop	No

<sup>166</sup> Three imprints that cater for different consumer groups with a focus on exports (75% of revenue).

<sup>167</sup> Titles can be broken down as follows: 19 books via author royalty, 160 via work for hire, 68 in-house productions, 26 collaborations, 76 e-books.

### (3) Slovenia

Name Publishing House	Focus	Role Interviewees	Ownership Structure	Interview Date	Interview Mode
Publisher 1 <sup>168</sup>  Biblos (e-lending platform) <sup>169</sup>	Fiction, Non-fiction (also in translation)	Chief Technology Officer  Foreign Rights Manager (now Slovenian Book Agency)	Cultural Organization (non-profit)	27/09/2016  20/10/2016	Face to face
Publisher 2	Fiction, Non-fiction, Children's books, Educational publishing, Magazines	Business Executive  Marketing Manager  Sales Manager	Limited Company (Owned and run by founder)	13/10/2016	Face to face
Publisher 3 <sup>170</sup>	Fiction	Director  Head of Book Stores & Program Organizer	Independent Publishing House (Owned & run by founder)	11/10/2016	Face to face
Publisher 4	Fiction, Non-fiction & Educational publishing	Head of Publishing House	Independent Publishing House (Owned and run by founder)	24/11/2017	Face to face
Publisher 5	Fiction & Non-fiction	Editor-in-chief publishing house & director of a non-profit internet bookshop	Artistic Association (non-profit)	22/11/2017	Face to face
Publisher 6	Magazines, Fiction, Poetry, Non-fiction	Editor-in-chief for Electronic Media and imprint for literature	Artistic Society	24/11/2017	Face to face
Publisher 7 <sup>171</sup>	Children's books, Fiction, Non-Fiction, Educational publishing, Magazines	Director	International Publishing Group (8 companies); active in 5 Eastern European countries	19/10/2016	Face to face
Publisher 8	Educational publishing (textbooks), lately also literary fiction and non-fiction	Foreign Rights Manager	Independent Publishing House (Owned and run by founder)	12/10/2016	Face to face
Publisher 9	Non-fiction, Children's books, Book	Director	Independent Publishing	22/11/2016	Face to face

<sup>168</sup> Publishing accounts for ~30% of all business activities. The company also runs its own bookshop (brick-and-mortar and online) and sells dedicated eReaders (partnership with *inkBook*).

<sup>169</sup> In 2017 the platform offered access to ~2.200 e-books (50% Slovenian titles and 50% translations).

<sup>170</sup> The publisher runs its own brick-and-mortar bookshop as well as festivals. In 2014 an app was created to promote Slovenian authors to agents abroad (funded by the EU).

<sup>171</sup> They sell books through their own online and brick-and-mortar bookshops (incl. books by other publishers). Moreover they have an imprint focusing on first time translations that publishes 60 books per year.

	Distribution & Printing Services <sup>172</sup>		House & Service Provider (Owned and run by founder)		
Publisher 10 <sup>173</sup>	Fiction, Non-fiction & Children's books	Director Editor	Independent Publishing House (Owned and run by founder)	22/11/2017	Face to face
Publisher 11	Non-fiction, Magazines	Director	Public limited company (publishing is only one part of business activities)	10/10/2016	Face to face
Publisher 12	Non-fiction, Fiction & Academic publishing	Editor-in-chief & Member of editorial board	Institute for Publishing and Research Activities	23/11/2017	Face to face
Publisher 13	Fiction, Non-fiction, Children's books, YA	Representative for Libraries  Project Manager (Editor) & Co-owner	Family business (Independent Publishing House)	23/11/2017  13/01/2018	Face to face  E-mail
Publisher 14	Scientific & Scholarly publishing (STM)	Head & Editor-in-Chief	Publishing Division of a Research Centre	23/11/2017	Face to face
Ljubljana City Library		Coordinator		22/11/2017	Face to face
		Author, University Lecturer, Editor for Cankarjeva založba (imprint Mladinska Knjiga)		24/11/2017	Face to face
		Industry Expert, Researcher, Consultant for Mladinska Knjiga		12&14/10/2016	Face to face

<sup>172</sup> The distribution business is larger than the publishing business in terms of revenue. Moreover they offer services for self-publishers to publish their books in printed form.

<sup>173</sup> They also publish music, run a brick-and-mortar bookshop and festivals. Moreover they offer an e-reading app.

Publishing House	Number of Employees	Founding Year	Titles published per year	Titles total	Revenue Share of Digital Products	Pricing e-books	Online Presence	Funding
Publisher 1	22	1996	50 (60% available as e-books)	600 (460 e-books)		Between 7,99€ and 16,99€ (-30%)	IN, FB, T, NL, Online Shop	Yes
Publisher 2	5	1989	~80 (10 e-books)	1.000 (50 e-books in total)		Between 7,99€ and 24,99€ (-40%)	FB, Online Shop	Yes
Publisher 3	3	1998	15	150	~200€ pa with e-books	Between 7,99€ and 9,99€ (-40% till -60%)	NL, FB	Yes (Creative Europe Programme)
Publisher 4	2	2011		100			FB, T, Online Shop	Yes (other countries pay for translations)
Publisher 5	3	2007	5-6	60		Free e-books, Between 2,99€ and 4,99€	FB, NL Goodreads, Online Shop <sup>174</sup>	Yes (Creative Europe Programme)
Publisher 6	10-12	1989	15-25	300 (49 e-books)		Between 9,99€ and 14,99€ (-25%)	FB	Yes
Publisher 7	900 (whole group); 300 publishing house	1945	~500	Over 3.500 available at the moment (consumer market) + 500 titles from imprint (~400 e-books)	5% of book sales (print) happen online; ~20.000€ e-book revenue	Same as printed version	FB, T, IN, NL, Online Shop <sup>175</sup>	Yes (Creative Europe funding for translations)
Publisher 8	44	1996	~50 general programme + ~10 teaching material		No e-books but since 2015 e-textbooks		FB, NL, Online Shop	Yes (Creative Europe)
Publisher 9	10		30-40	300			FB, T, IN, Online Shop	
Publisher 10	22	1997	30	600 (150 e-books)		Priced the same as print version (sometimes ~1€ discount)	IN, FB, T, YT, Online Shop <sup>176</sup>	Yes (Creative Europe funding for translations)

<sup>174</sup> Also foreign language e-books are available. The web shop is a collaborative project and sells also books from other publishers.

<sup>175</sup> 1.1 Mio. products incl. stationery, textbooks and foreign titles.

<sup>176</sup> Sells also books published by other Slovenian publishers.

Publisher 11	10 (incl. employee of non-book department)	1997 <sup>177</sup>	20-25	Over 250 (45 e-books)	Less than 1%	14,99 (print version 28,50)	Online Shop	Yes
Publisher 12	2 (plus 3 trainees)	1997	~10	200		Only started producing e-books at the time of the interviewee	FB, IN	Yes
Publisher 13	4-6	2003	30-40 <sup>178</sup> (10-15 as e-book)	250 (70 e-books)	Less than 2%	Between 7,99€ and 21,99€; no consistent pricing strategy	FB, TW, IN, NL, Online Shop	Yes (mostly for translations)
Publisher 14	8	1992	50-80 + 2 journal issues	280 titles online; 14 journals (1 in English)		Most publications are made available Open Access	Online Shop	Yes

<sup>177</sup> The company started as a commerce business. The publishing division was established only in 2001. Since 2015 they publish a magazine, which focuses on book reviews (30.000 copies per month; free of charge for readers).

<sup>178</sup> Including reprints, textbooks and e-books.

## Appendix 5: Additional Research Material

### Austria

- (1) Funding from the *Bundeskanzleramt* (Federal Chancellery of the Republic of Austria) for Literature (all figures are for 2017) (Bundeskanzleramt, 2018)

#### Overview Libraries:

- 1.300 public libraries
- 10.696.200 media
- 784.277 users in 2016 (~10% of population)
- 22.871.583 loans
- Subsidy amount: 30.306.881€

Austrian National Library:

Initiative 'Austrian Books Online' in partnership with *Google* (digitisation of books)

#### Subsidy amount for 'Literature':

10.590.923€ (9.927.524€ in 2016)

- *Verlagsförderung* (subsidies for publishing houses): 2.664.500€ (incl. subsidies for distribution and marketing)
- Book project funding: 249.642€
- Subsidies for translations: 2.252.275€
- Funding for the *HVB* (publishers association): 140.500€

### Scotland

- (1) Sales Figures for Scotland from *NielsenBookscan* and *Nielsen Books & Consumer Survey*

#### *Overview Scottish Book Market – Sales Figures*

2014		2015		2016	
Volume	Value	Volume	Value	Volume	Value
<b>15.497.564</b>	<b>£116.480.838,77</b>	<b>16.307.633</b>	<b>£127.947.824,76</b>	<b>16.672.986</b>	<b>£133.371.978,66</b>

*Top 20 Publisher in Scotland in 2016 According to Value*

	Border	Central Scotland	Northern Scotland	Scotland
Penguin Grp	£1.521.062,52	£7.690.292,78	£3.176.806,25	<b>£12.388.161,55</b>
Random House Grp	£1.187.916,56	£6.004.500,17	£2.547.266,38	<b>£9.739.683,11</b>
HarperCollins Grp	£1.185.016,13	£5.986.575,53	£2.556.053,99	<b>£9.727.645,65</b>
Pan Macmillan Grp	£817.989,59	£4.279.661,97	£1.698.374,89	<b>£6.796.026,45</b>
Little, Brown Book Grp	£549.670,96	£3.377.402,82	£1.294.590,54	<b>£5.221.664,32</b>
Transworld Grp	£474.319,82	£2.369.655,43	£944.776,11	<b>£3.788.751,36</b>
Hodder & Stoughton Grp	£443.407,17	£2.085.502,08	£922.946,91	<b>£3.451.856,16</b>
Orion Grp	£371.984,62	£2.179.705,57	£888.739,06	<b>£3.440.429,25</b>
Bloomsbury Grp	£409.805,70	£2.083.143,25	£895.175,06	<b>£3.388.124,01</b>
Simon & Schuster Grp	£350.655,00	£1.737.859,55	£658.167,46	<b>£2.746.682,01</b>
Dorling Kindersley Grp	£272.566,63	£1.347.752,73	£576.770,00	<b>£2.197.089,36</b>
OUP Grp	£172.219,18	£1.453.376,89	£527.457,17	<b>£2.153.053,24</b>
Hodder Education Grp	£102.002,49	£1.290.320,30	£479.617,59	<b>£1.871.940,38</b>
Bonnier Publishing Grp	£212.429,88	£1.101.074,05	£387.857,62	<b>£1.701.361,55</b>
Quercus Grp	£191.676,66	£971.811,12	£478.534,46	<b>£1.642.022,24</b>
John Wiley Grp	£117.762,59	£1.107.717,83	£342.721,00	<b>£1.568.201,42</b>
Usborne Grp	£200.807,34	£942.714,82	£393.071,04	<b>£1.536.593,20</b>
Faber Grp	£178.087,50	£919.847,72	£388.482,85	<b>£1.486.418,07</b>
Egmont Books Grp	£180.805,90	£911.163,56	£367.791,81	<b>£1.459.761,27</b>
Birlinn Group	£96.390,87	£791.091,40	£552.525,16	<b>£1.440.007,43</b>

*Print Sales Figures of Selected Scottish Publishing Houses in Scotland (2016)*

	Sum of Volume	Sum of Value
Birlinn Group	88.951	£1.007.424
Canongate Grp	88.573	£807.472
Black & White Publishing Grp	34.452	£277.966
Saraband Grp	32.619	£250.918
Other Publisher Groups	18.292	£192.740
Sandstone Press Grp	7.469	£76.993
<b>Grand Total</b>	<b>270.356</b>	<b>£2.613.513</b>

*Print Sales Figures of Selected Scottish Publishing Houses in Scotland (2015)*

	Sum of Volume	Sum of Value
Birlinn Group	80.573	£980.344
Canongate Grp	77.727	£751.628
Black & White Publishing Grp	35.841	£292.867
Freight Books	8.680	£99.408
Sandstone Press Grp	7.648	£97.871
Floris Books	6.464	£65.171
Saraband Grp	4.246	£43.952
BackPage Press	2.121	£20.290
<b>Grand Total</b>	<b>223.300</b>	<b>£2.351.531</b>



*Print vs. Digital Purchases by Consumers Living in Scotland (Books & Consumer Survey)*

	2012	2013	2014	2015	2016
<b>Base</b>	<b>30.127.486</b>	<b>30.939.543</b>	<b>27.933.391</b>	<b>31.848.412</b>	<b>30.531.756</b>
Print	22.363.340	21.850.698	18.242.994	20.413.572	19.840.894
Digital (ebook/app/audio)	7.764.147	9.088.846	9.690.398	11.434.840	10.690.862

(2) Public Funding for the Creative Industries

Creative Scotland Funding:

Creative Scotland & Other Arts budget from the Scottish Government: 70.5 Mil..£ for 2018-19 (52 Mil. £ in 2017-18) (Scottish Government, 2018)

“The aim of Regular Funding is to provide three-year funding support for a range and breadth of organisations that make a vital contribution to the current health and future development of the arts, screen and creative industries in Scotland. The 2018-21 Regular Funding Network consists of 121 organisations, of which 19 are new to Regular Funding and 102 continue their Regular Funding relationship, supported by £101.6m Grant in Aid funding and a three-year budget commitment from the Scottish Government.” (Creative Scotland, 2018)

Funding for the category literature (three-year period form 2018-2021):

- Edinburgh International Book Festival (919.500£)
- Gaelic Books Council (620.000£)
- Glasgow Women’s Library (359.968£)
- Moniack Mhor Writers’s Centre (405.000£)
- Publishing Scotland (923.500£)
- Scottish Book Trust (2.579.792£)
- Scottish Poetry Library (902.500£)
- Wigtown Festival Company (258.000£)

Publishing Scotland Funding (Publishing Scotland, 2019):

Go-Digital Fund

- 8.000£
- 2 funding rounds annually
- Max. 1.000£ per publisher
- For training & consultancy, attending digital events, marketing digital content

Go-See Fund

- 2 funding rounds per year
- Max. 1.000£ per publisher
- For attending book trade fairs for the first time

Libraries (MacNab, 2018):

- 558 public libraries (69 closed since 2011)
- National Library of Scotland
- 2014/15 7.6 Mil. £ budget for purchasing new books (-10%) (Ellison, 2015)
- Budget reduction of 22 Mil. £ reduction over the last 6 years (-17,9%)

## Slovenia

### (1) Book Lending Data from *Ljubljana City Library*

#### Library Figures for 2017 (whole of Slovenia)

- One library per 6.993 inhabitants (286 public libraries in total + 591 mobile library service points)
- 480.000 registered users (24% of population); 150.000 of them are children
- ~25 Mil. book loans each year

#### Library Figures for 2016 (for *Ljubljana City Library Network*)

- 84.647 members (each member visits the library on average 28 times a year)
- 2.361.454 visits
- 5.004.779 loans of library materials
- 35 branches
- 227 employees
- 1.722.091 collection (books, serials, non-book materials)
- Provides access to e-books through *Biblos* and to the digital *EBSCOhost* collection of (*eBook Public Library Collection*) (over 27.000 general reference e-book titles)

#### *Biblos* (e-lending platform)<sup>179</sup>

- 2.220 titles (2017) with 50% of the books written by Slovenian authors and 50% being translations
- Physical and digital books are being treated equally
- 52 loans per licence
- Currently developing a book recommendation system

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<sup>179</sup> Figures were provided during the interview with the Coordinator of *Ljubljana City Library* and were derived from the minutes of the meeting of the *NAPLE E-Book Working Group Meeting 2017*.

Number of e-book loans through the Ljubljana City Library (1.10.2016-31.10.2017)

Mestna knjižnica Ljubljana			
Top 100 e-books (01.10.2016 - 31.10.2017)			
	No. of Loans	Author or ISSN	Title/Edition/Publisher/Collection
1.	197	Golob, Tadej 978-961-277-159-1	Jezero. - 1. elektronska izd. - Novo mesto, cop. 2017
2.	142	Nesbo, Jo 978-961-261-455-3	Netopir. - 2. izd. - Radovljica, 2016
3.	124	Nesbo, Jo 978-961-261-277-1	Taščica. - 1. elektronska izd. - Radovljica, 2017
4.	115	Miklavčič, Milena 978-961-92872-4-8	Ogenj, rit in kače niso za igrače. - 1. elektronska izd. - Žiri, 2017
5.	114	Nesbo, Jo 978-961-261-468-3	Ščurki. - 2. izd. - Radovljica, 2017
6.	112	Nesbo, Jo 978-961-261-424-9	Policija. - 2. izd. - Radovljica, 2016
7.	103	Palacio, R. J. 978-961-93836-3-6	Čudo. - 1. elektronska izd. - Zagorje ob Savi, 2016
8.	99	Nesbo, Jo 978-961-261-278-8	Brezskrbno. - 3. izd. - Radovljica, 2014
9.	91	Bon, Emma 978-961-272-145-9	Milfa. - Dob pri Domžalah, 2014
10.	88	Afshar, Tessa 978-961-04-0307-4	Dragulj v pesku. - 1. e-izd. - Ljubljana, 2016
11.	86	Jonasson, Jonas 978-961-01-3099-4	Stoletnik, ki je zlezel skozi okno in izginil. - Ljubljana, 2013
12.	86	Milek, Vesna 978-961-242-660-6	Cavazza : biografski roman. - Ljubljana, 2013
13.	82	Gerritsen, Tess 978-961-01-2448-1	Tiho dekle. - 1. izd. - Ljubljana, 2014
14.	79	Day, Sylvia 978-961-01-2468-9	Predana : prvi del trilogije Crossfire. - Ljubljana, 2012
15.	75	Nesbo, Jo 978-961-261-369-3	Snežak. - 2. izd. - Radovljica, 2015
16.	72	Nesbo, Jo 978-961-261-409-6	Fantom. - 2. izd. - Radovljica, 2015
17.	72	Flynn, Gillian 978-961-01-3160-1	Ni je več. - Ljubljana, 2014
18.	71	Riggs, Ransom 978-961-274-450-2	Otok nenavadnih otrok. - 2. natis. - Ljubljana, 2016
19.	70	Nesbo, Jo 978-961-261-276-4	Pentagram. - 2. izd. - Radovljica, 2015
20.	70	Brown, Dan 978-961-01-3131-1	Inferno. - 1. izd. - Ljubljana, 2013

(2) Sales Figures from *Mladinska Knjiga* (e-book sales of titles published by *Mladinska Knjiga*)

Dogodek Leto	2017			
	Kupec (Online Bookstore)	Število artiklov (Number of Titles)	Količina (Number of Licenses Sold)	Znesek Neto (Sales in €, netto)
	MLADINSKA KNJIGA TRGOVINA D.O.O.	272	618	4.100,06
	BELETRINA, ZAVOD ZA ZALOŽNIŠKO <sup>180</sup>	175	1.138	10.075,01
	APPLE INC.	173	369	3.180,21
	<b>Total</b>	<b>387</b>	<b>2.125</b>	<b>17.355,28</b>

<sup>180</sup> 60% of those sales are licences sold to public libraries (52 loans per license).

## Appendix 6: Coding Framework

Codes	Coding Instructions	Coding Example
Attitude	How do interviewees talk about digitisation and change?	
concerned/neg.	Interviewee worries about future and expresses critical thoughts about change and digitisation	There's always a big decision with an e-book whether you market a version at the same time because the definite evidence with our experience is that an e-book will spoil the market for the physical product. There is no doubt about that what so ever. (Publisher j)
neutral	Interviewee's mind-set seems not affected by change (does not have anything against change but also no positive attitude)	I see digital publishing as our hobby. (Publisher N)
positive	Interviewee sees digitisation positive and is proactive when it comes to adaption because of the opportunities he/she sees	We were never close-minded here when it comes to new things because we know that this development is something that will move you forward. (Biblos)
Challenges	Digitisation and changes in the wider industry challenge established business practices	Especially the English language is a problem. It's a real problem because it doesn't really pay off if you want to publish an English author. For example we learned this lesson with the author XX. We published his book and now everybody who is a fan of his books read it already in English. English is also cheaper you know. Slovenian books are really expensive in comparison. And the next problem is our infrastructure. We can't even sell our books on <i>Amazon</i> . A week ago I spoke with my friend, he is an avid reader, and he uses the <i>Kindle</i> . And I said to him, 'But there are no Slovenian books.' and he said, 'Who cares?'. (Publisher 3)
Disruption	Change brought into the industry from the outside/trough technology; paradigm destroying innovations and change	Smaller companies are losing control. We can already see companies losing control. For example simple because they are being told, not asked, but being told to give a specific discount to supplier. So if you take that to its logical conclusion, there will be fewer and fewer companies. (Publisher k)  So the flexibility that we have now because of that changing technology. You know the fact that you can make it work on relatively small runs, has just completely transformed our industry. (Publisher c)
Inertia	Response of publishers – decide not to do anything (because perceive disruption/change as minimal/unimportant) or are oblivious to the change. Preference of interviewee for things to stay how they were.	We have libraries all over, also in more remote places. There are also biblio buses. We have around 15 biblio busses around Slovenia and each of them belongs to a library and they go around and lend books to the people in villages. So a lot of Slovenia is covered by libraries. A lot! This is libraries and then you have thousands of selling points for these paperbacks and in the end where is the market for e-books then? (Publisher 11)

Innovation	Interviewee develops something new or does something in a new way that is related to digitisation	I don't know if we can claim an act of genius that we saw that this was going to happen, but we didn't want to get into different languages and they took these extracts that we gave them and translated them into all these different languages. So it popped up in all these different languages which got on the radar of lots of different foreign publishers. So unprompted we started getting lots of offers to buy the rights of the book from different countries. We ended up very quickly doing deals for maybe nine or ten countries in the first year that it was published in English. (Publisher a)
Nation Specificity	Factors of digital disruption, innovation and book market/culture that is specific to Austria, Scotland and Slovenia	Is that also the reason why you as the biggest publishing house also have bookshops and this web shop? Yes, that is a question of small markets. We are not the only small market where things are like this. Of course smaller publishers don't like this. They don't like us very much but I think in the end we are quite fair or even kind to them. (Publisher 7)
Opportunities E-Publishing	What are positive things that happened due to digitisation? What is possible now that was not possible before?	One advantage of it, I guess, is that people who have sight problems can adjust the font size and they can get their computers to read the book to them. So that's good. (Publisher l)
Value Chain	Opportunities of e-publishing that arise for the wider publishing network and the position of publishing houses within it	So the mechanics of running a company, starting a company and running a company which is so international, are much, much easier with the internet. First of all running a company where you don't need a physical office, so you are communicating, running meetings on Skype, as we did yesterday. (Publisher e)
Distribution	Opportunities of e-publishing that affect book distribution	We produce e-books of some of our books and they can be distributed around the world without barriers, without physical barriers, in a way that would never have happened with physical books. (Publisher c)
Marketing	Opportunities of e-publishing visible in how books are being promoted and marketed	And that only works because of digitisation. Because there people are sharing links via email, via Twitter or via Facebook. Now if we would have used the same strategy in print newspapers only, no one says 'I got a copy of The Daily Express and I think you might like that article.' That just won't happen. So, people are sharing this on Facebook and that's how it works. (Publisher a)
Production	Opportunities of e-publishing that are related to the book production	All of the digital publishing is so easy in the sense of the logistics of it. I know this makes it sound a bit prose to say but just the fact that you don't have to go through all the different layers that you have to with print. (Publisher a)
Orientation	What is the focus of the publishing house?	We needed to convince some people that <i>Biblos</i> is something we need to work on. Otherwise we were never close-minded when it comes to new things because we know that this development is something that will move you forward. (Publisher 1)

Cultural Focus	Does interviewee focus on cultural aspects of the publishing industry? Making money is not the focus of the interviewee	We realised that the only way to keep the reading culture and especially the Slovenian language as an e-language present today we would need to establish some kind of market. Otherwise the people will actually leave the domestic reading market and switch to reading in English, which is a common scenario in small countries like Slovenia. (Publisher 1)
Economic Focus	Interviewee mainly sees publishing as a business and focuses on how to make money	Fundamentally it's about making money which sometimes people forget. It's what publishing is about. (Publisher d)
Outside Perspective	Interviewee with a non-traditional background/entered into publishing recently with a non-publishing education/previous work experience	So, I had a different kind of view from not inside publishing but a good look at it and if we hadn't had those two experiences, then we definitely wouldn't have done this. But because we got to look in and sort of see what was broken we decided to do something. (Publisher a)
Policies	Rules and regulations affecting publishers in their daily routines as well as their long-term strategies	We certainly don't run into any problems. You know we are allowed to do our own thing. Nobody seems to be bothered by us. (Publisher a)
Copyright	Impact of digitisation on copyright	The power of <i>Google</i> is important. This has to be regulated. It is a political question: how do you handle digitisation and the copyright? You can't ignore this (Publisher E)
Fixed Book Price	How is the fixed book price affecting digital publishing practices?	He was also quite worried that <i>Amazon</i> might come and they might destroy the market with low prices. That's why he introduced this law. And I am quite happy with it actually. I don't see anything evil or bad in it. (Kovač)
Piracy	Book piracy online and its effect on publishing houses	The thing right now, which is a major challenge is piracy. As soon as you have something electronic, you've got to be careful because as soon as the technology allows someone to scan a book to PDF and put it online it becomes dangerous. And there's actually no way that we can catch all the pirate sites. (Publisher k)
Support/Funding	What support and funding is available for publishers and the wider industry?	These are the remnants of the old times actually. I mean this idea of funding of the books was established in socialist times and luckily it did not ever break but it has changed and adapted to the new situation, which is quite ok. It's not perfect. It also started changing which is good because, if it was like it used to be, like the government is selecting who will be published, that would be bad. Everybody would be saying 'Oh this is politically favouritism.'. But in terms of equality they made a smart move. So slowly, slowly they were adapting to the new democratic system and now they distributed more in the democratic way, which is so far so good. (Author)
Tax	What is the impact of tax regulations on publishing houses and the wider industry?	It's a bit of a drag that you have to add VAT on e-books. For the customer anyway, that they have to pay VAT on top of the price of the e-book. But now they brought in this crazy rule that we have to charge the VAT rate that exists in each different country of Europe. Whereas before we would just charge our own VAT rate. So now, if it's 4% in one country and

		somebody orders from there, we charge 4% and, if somebody orders from a country where it's 18%, we have to charge that. And then we have to have a record of that and report that to the VAT authorities. It's crazy, but I mean we did work out a way of doing it, so it's not too difficult now. (Publisher l)
Revenue Model	Impact of digitisation on the profitability of the publishing house (what is the underlying strategy to generate revenue from e-publishing)	Our main income comes from libraries and school libraries, sometimes an individual title is sold out to a larger audience. I can't think of any new ways of income, other than the ones we already found. E-books are sold via the <i>E-emka</i> and <i>Biblos</i> system, <i>Biblos</i> also allows the users to lend e-books. Those are the only channels, through which we distribute our e-books. (Publisher 13)
Additional Income	Income from digital products that does not involve selling e-books	We needed some revenue very quickly. So we did a Kickstarter which went very, very well. We exceeded our target very quickly and we spend the next year delivering on the logistics behind that. (Publisher a)
Cost Structure	Which new costs arise through e-publishing and how are those new costs affecting the business?	We cannot sell e-books for a proper price and the costs for producing these e-books are almost the same as for the printed books. You have to pay for translations, you pay for layout, you don't need to print but at the same time you have higher royalty rates. You know that royalty rates for printed books are 5-10% and for electronic books are 25-30%. And one more thing there is a higher VAT on e-books. We have a reduced rate here, which is 9.5% and a higher rate of 22.5%. For printed books, the reduced rate of 9.5% applies and for electronic devices and the e-books, the higher rate applies. So the costs are too high for us. (Publisher 2)
E-Book Revenue	Revenue from selling e-books	E-books account for approximately 15% of my sales. (Publisher C)
SME Characteristics	Interviewee talks about firm size	I think that at the beginning of the digital let's call it revolution, it was a real advantage for small publishers because we could respond quickly. (Publisher h)
Limitations	Interviewee mentions that the size of the company hampers its development/adaption process/innovative capabilities	However, we have no advantages over bigger publishing houses. If we want to compete with bigger publishing houses as we do we have to work harder, we have work longer, we have to create partnerships with other companies that let us do work at a better price and we have to choose our books tremendously well. We have to do magical marketing and we have to produce wonderful objects that look good and feel good. We have to compete harder in every aspect because we are disadvantaged by size not advantaged. (Publisher i)
Strategy	What are the interviewee's plans?	This year we are planning to upgrade our back-end structures so that we can get better statistics and we just developed an analytics tool that analyses the, let's say the book itself, and then tries to find similarities between books. And we are now in the phase where we start to analyse what people read and what we

		should do as a consequence. We will establish some kind of recommendation tool and we will try to do analytics to find out what people read and who they are. This is a long-term process. (Publisher 1)
Tradition	Print centric publishing model is copied in the digital world. Barriers to adaption because of how things were done in the past.	Direct selling was never a topic for us because we depend on the bookshops and we shouldn't stab them in the back like that. (Publisher H)
Value Chain Network	How does the value chain network of the publishing industry in the respective country look like and where has it been affected by digitisation?	We profit from the easy access to the German book market. (Publisher J)  Collectively you can share things, you can do more, you can trade expertise and so on. If you tried to do it on your own as a tiny house just with a small number of people you would be static. And as I say a lot of our actual core functions are outsourced anyway. (Publisher h)
Competition	Are there new forms of competition for publishers due to digitisation?	But aside from that of course we don't really know how many books in English are being sold in Slovenia through Amazon. (Kovač)
Distribution	With which distribution partners does the publishing house collaborate in order to distribute its digital products?	We sell through <i>Amazon, Apple, Kobo, Barnes &amp; Noble, Google</i> and <i>Scribd</i> . That are our six e-book retailers. A lot of publishers will go through <i>Faber Factory</i> but we don't do that. (Publisher a)
Marketing	Which partners are responsible for new forms of marketing?	So I have a lot of book bloggers and I plan like a blog tour for like a week when a new book is coming out. (Publisher i)
Production	Which partners help with the production of digital products?	We have external partners for the conversion into ePubs. We work with several. It's <i>Mladinska Knjiga</i> but I think they also cooperate with someone outside. And we have some contacts in India. (Publisher 2)
Value Creation Process	What are the steps the publisher takes to create value for readers?	All that happens digitally. It's paradoxical, everything is digital until the point when you print to book. (Publisher e)
Competencies	What competencies does the publisher need for a successful e-publishing practice?	The same person who takes care of social media is really good with computers and programs and doing that. (Publisher 13)
Organisational Structure	Has e-publishing had an effect on the organisational structure of publishing houses?	[Name] who does the e-books for us she was brought on board specifically to digitize our backlist and so on. Prior to that we only had a handful of titles and the reason for that was simply a question of time. There wasn't time to do it. (Publisher k)
Value Proposition	What new value are publishers offering their readers?	This is what we have been working on for the last five years. And these things are new for us and different from our previous publishing core business. (Publisher 1) [talks about <i>Biblos</i> ]
Channels	How are publishers distributing their products to readers?	We don't sell on Amazon. I don't like selling on Amazon because they want so much money you know. So, we just sell through other sites. Well our distributor <i>BookSource</i> deals with the distribution of our e-books. They sell them to various outlets. (Publisher l)



Amazon	What role does Amazon play for the distribution of books (print and digital)?	It's completely dominated by Kindle. [...] Everybody buys their books from Kindle because they were first on the market and even if most people read on tablets and phones now but they use the Kindle app. (Publisher d)
Direct Sales	Does the publisher sell books directly (print and digital)?	Yes, we sell the print editions via our website and they are then shipped worldwide through our distributor <i>BookSource</i> , the transaction, however, goes through our website. (Publisher f)
Other Channels	Does the publisher distribute its offerings through other channels?	It's more like a streaming service for books which doesn't make any sense to me. You get your subscription and then you can read what you like and if somebody is reading your book then you get a little royalty payment. But I think it's about as good for us as <i>Spotify</i> is for an independent musician. (Publisher a)
Communication	How does the publishing house communicate its offerings to readers?	And the main things in terms of e-books that I do is we have a Kindle promotion every weekend. We promote that through social media, through our Facebook and through our Twitter. (Publisher h)
Customer	Does the publishing house reach new customers?	The customer base expands because people can find us by searching online. (Publisher c)
Product	What new (digital) products do publishers offer?	We have some free e-books on our website [...] and we have some bundles on there, some e-book bundles. (Publisher c)