

# How the new business models in the digital age have evolved

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# 0. Introduction

This second edition of *New Business Models in the Digital Age* is full of updated, need-to-know information for anyone interested in this topic. Due to the outstanding reception the original report had in 2014, having been downloaded over 5,000 times, and because of all of the available new data and important developments, it was necessary to expand the report after just a year to include all of the changes that have taken place since then.

Some of the biggest news in this year's edition comes from the world of micropayments, namely the new and hotly debated "pay what you read" business model. The newest changes in subscription models, which are having a hard time taking hold in the book sector, are also discussed as is the surge in the number of new crowdfunding projects that have led to the consolidation of this business trend in the last year alone.

The library world has also had an exciting year with respect to eLending licensing in Spanish-language marketplaces. According to *Evolución y tendencias digitales en Latinoamérica* (Evolution and Digital Trends in Latin America), a report published by the eBook distribution platform Bookwire<sup>1</sup>, the decline in print sales, which was once just a prediction but has since become a reality, needs to be balanced with an increase in digital sales, especially for libraries, universities, and other like institutions. The report predicts that at the end of this decade, digital content will make up nearly 60% of the total purchases made by libraries and universities across Spain and Latin America. Since the release of *New Business Models in the Digital Age*, which pointed out several standard purchasing models, approximately 13 new eBook purchasing models<sup>2</sup> have been identified in just the last 12 months that are being used in libraries around the world, some with notable success. Readers of this year's report will be shown the key aspects of these models within this context of constant evolution as well as what makes them special.

Self-publishing is another model that continues to grow, and the figures surrounding the number of users, readers, and sales as well as the number of new platforms and services dedicated to self-publishing suggest that it is much more than a passing fad.

In the last few years, the Internet has transformed the business models and the organization of companies in many different sectors, and the cultural sector is no exception to this process of structural transformation.

Readers who are familiar with the first edition of this report will find that certain sections have changed little. This is because the information on some of the examples described is still valid and is in fact key to understanding the development, though not the evolution, of certain business models.

The same way this updated version will discuss the shift certain startups and companies mentioned in the previous version have made to other models, there are many other cases in which companies have remained unchanged. This does not mean that their business models do not work, seeing how most changes in the digital world often happen at breakneck speed, but rather the opposite. It means that their particular models are actually working for them and evolving, albeit at a slower rate, which in the end is synonymous with how successful companies operate. For these companies, the old adage is true that "No news is good news."

For the second year running, the aim of this report is to provide book-world professionals, whether publishers, agents, authors, booksellers, or librarians, with a broad analysis of the business models currently available on the Internet so that they may determine where their business opportunities lie and what the benefits of each of these models are for their particular companies.

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1 <http://www.dosdoce.com/2015/04/30/las-oportunidades-del-libro-digital-para-la-edicion-en-espanol/>

2 <http://www.dosdoce.com/2015/09/18/guia-de-modelos-de-compras-de-licencias-de-ebooks-para-bibliotecas-y-editoriales/>

## TRANSVERSAL TENDENCIES THAT SHAPE BUSINESS MODELS

While researching new business models and examples of good practices, it was noted how, in the last year, the transversal tendencies that shape business models have also gone through their own transformation. Some of these changes that have appeared on the digital commerce horizon include mCommerce, Big Data, customer personalization, the search for new sales channels, the internationalization of companies, and the push for a European digital single market. Also part of this transformation are mobile payments, which are currently being researched and developed by the likes of Apple, Google and several of the major banks in an effort to come out ahead of their competitors, and ways to analyze consumers' online search and purchasing habits.

Experts have said that the higher a country's rate of digitalization, the greater its chances of increasing its per capita GDP and its human development index, which is why the European Commission's Digital Agenda is actively promoting digitalization among its member states.

## BEYOND SINGLE-UNIT SALES: NEW BUSINESS MODELS

Like it or not, the way culture is being created, accessed, and consumed is itself going through a historical transformation. In the next few years, consumers will have never-before-imagined access to staggering amounts of user-generated information and knowledge which will require a reorganization of the cultural sector.

Faced with new ways of creating, accessing, and consuming culture, professionals in the book world will need to reflect on what type of business models they need to be able to respond to this new style of consumerism.

The description of the business models analyzed in this report is meant to provide companies and organizations in the cultural sector with a clearer view of the advantages and disadvantages these models may have in their particular cases. Clearly, not all readers are willing to purchase a subscription package regardless of how appealing its content or price may be, and not everyone wants to take part in a crowdfunding campaign either.

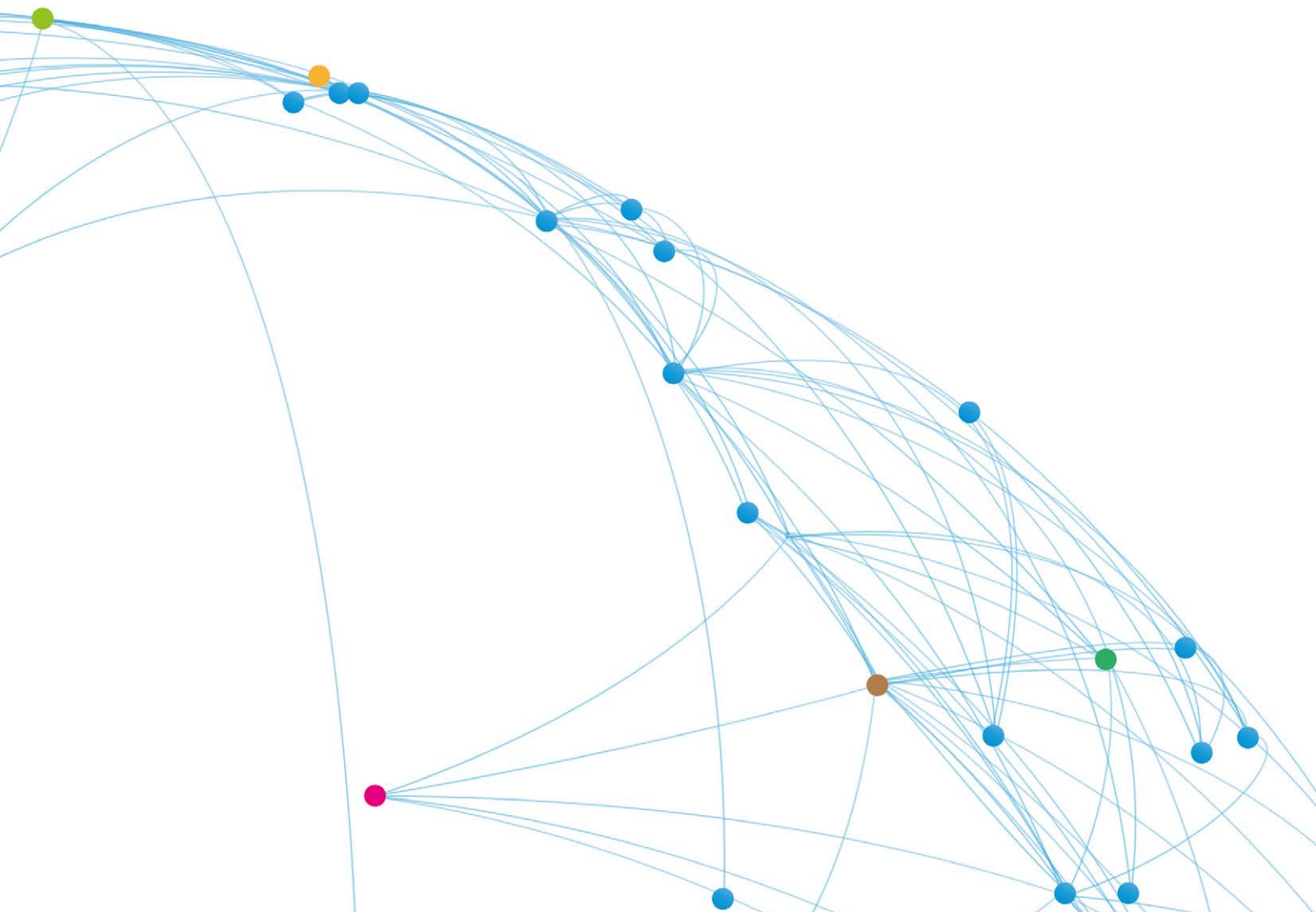
The aim behind this report is to be able to provide readers with a broader view of the multiple opportunities that the new business models in the digital age have to offer and to resolve any of their doubts and help dispel any preconceptions they may have. More importantly, it is hoped that readers will reflect on how to begin to integrate these models into their business strategies, whether they represent a publishing company, a bookstore, a library, a university, an online store, a distribution platform, or a media outlet.

Before delving into the report itself, the authors would like to thank the management at *Centro Español de Derechos Reprográficos* (Spanish Reproduction Rights Centre – CEDRO) for their financial support in making this report an essential resource for book-world professionals to read and reflect upon.

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# 1. Digital Business Models

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If there is something that defines the digital economy it is its need to seek out new business models and to combine them in a way that best meets companies' intended goals. Since most of these new business models are blended, which is to say combinations of several models, it is difficult to classify them as belonging to one specific category or another.

The new digital economy is based on this idea of blended models, on the absence of a single fixed model, which is easy to imagine given the Internet's fluid nature, and on business relationships built through platforms. While reading about the companies discussed in this report, it is therefore important to remain open to the possibilities that blended models offer and not to confuse them with the more inflexible models often associated with the analog or physical world.

It must be understood that, when adapting business models to the digital arena, these models will all either evolve or merge with other models. Below is an infographic that quickly, orderly, and visually presents and summarizes the different business models<sup>3</sup> that will be discussed shortly, including the types of licenses that are available to libraries, which has its own section.

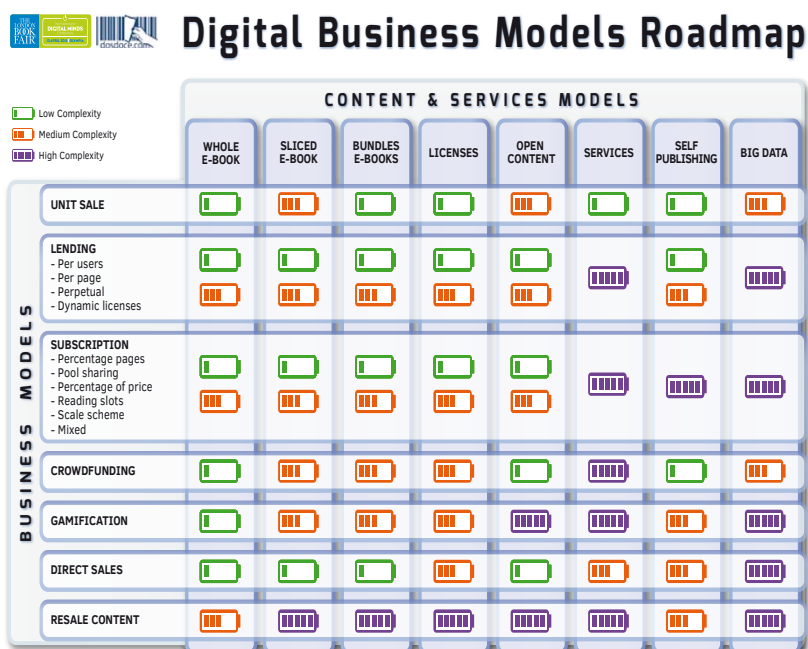


Figure 1. Digital Business Models Roadmap. Source: [dosdoce.com](http://dosdoce.com)

The columns of the graph above present the different types of service and content formats that are currently available, from the traditional “whole book” to bundles to the new range of services associated with Big Data and self-publishing.

The rows list the different business models currently being used, from traditional single-unit sales to subscription models and eLicenses for libraries to content-resale models and gamification.

To help book-world professionals assess the attributes the different possible combinations, the infographic uses three color-coded degrees of complexity (low, medium, and high) inside the battery icons. Green represents low complexity, orange medium complexity, and purple indicates a high degree of complexity.

<sup>3</sup> <http://www.dosdoce.com/2014/11/30/la-creciente-complejidad-de-los-nuevos-modelos-de-negocio-digitales/>

## 1.1. MICROPAYMENTS: FRAGMENTED CONTENT

Fragmented content, as will be seen shortly, is becoming more and more closely related to mobile payments. In fact, in only a year's time, the race to control mobile payments has really heated up.

Google took a step forward when, between October 2014 and June 2015, it introduced Google Wallet and Android Pay. One of the features of Android Pay is its payment function which allows “touchless” purchases to be made. It works by following voice commands in the hands-free mode through an application that does not even need to be open during the process.

Mobile payments have become important enough for many large companies to invest in. Apple, for example, has also been working this past year on updating its Apple Pay application to increase security using Near Field Communication (NFC) technology and its touch ID biometric sensor.

Several other models have appeared as well, like CurrentC, iPAYst, or those of Spanish banks such as BBVA Wallet and CaixaMóvil Store, to name just two. Telecommunications companies, not wanting to let the expansion of mobile payment models pass them by, have come out with their own models like Movistar's Cartera NFC, Vodafone Wallet, and Orange NFC.

The concept of micropayments, born in the age of the Internet, is in some ways closely linked to both fragmented content and per-use content. Micropayments are often defined as small-quantity transactions ranging between 1€ and 5€, although, according to PayPal and Visa, a micropayment could even go as high as 10€ or 20€, depending on the type of purchase. These kinds of transactions are used to gain access to certain content, which could be an article on a website, a song, or the next level in a video game.

The truth is, however, that micropayment transactions do not always have to involve money. These transactions can be as complex as to include bitcoins, loyalty tokens, or any other type of non-monetary or non-conventional form of payment. Though many types of transactions are possible in the digital world, their technological implementation is what makes them complicated. This report, however, focuses on the commonly accepted use of micropayments as a low-cost way of gaining access to content or services.

The average consumer became familiar with the concept of micropayments when Apple began selling content for its devices. From a business standpoint, Apple was quick to comprehend the potential of the new business models made possible in the digital world. Apple's rejection of the “all or nothing” policy towards content, which allowed consumers to buy piecemeal what was once considered a whole, truly revolutionized the sector. Individual songs could now be purchased for approximately \$1 instead of having to buy the entire LP or CD. When the concept hit the eBook sector, it forced publishers to a certain extent to redesign their pricing policies for piecemeal purchasing of sections, chapters, and extensions, as will be discussed below.

The use of micropayments is more and more common, becoming directly linked to the growth of mCommerce, especially in the music, video, phone app, social media, and gaming sectors, the latter giving the micropayment model a decisive push. Judging by the figures surrounding the well-known Candy Crush app, which brings in \$1.3 billion a year in individual micropayments that are never over 2€<sup>4</sup>, the micropayment model seems to be very profitable.

According to a report published by Criteo<sup>5</sup>, it is estimated that by the end of 2015 mobile payments will represent 40% of all purchases worldwide and 36% in Spain. And according to zanox<sup>6</sup>, revenue from mobile devices will increase by 105% and the number of transactions will increase by 82%.

Criteo's report also states that consumers use their smartphones to search for and purchase the same products they purchase on their desktop and laptop computers. Computer use is highest during the work day and mobile devices most often used outside work hours. Of these mobile devices, smartphones are most frequently used in the early morning to make 28% of all purchases and tablets are most often used at the end of the day, accounting for 40% of all purchases.

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4 <http://www.ticsandbits.com/#!Candy-Crush-tiene-un-ingreso-de-1300-millones-de-d%C3%B3lares-al-a%C3%B1o/c2011/781DF036-AEE1-4466-A846-E55F3524988D>

5 <http://www.criteo.com/media/1894/criteo-state-of-mobile-commerce-q1-2015-ppt.pdf>

6 [http://blog.zanox.com/es/espana/wp-content/uploads/2015/03/zanox-mobile-performance-barometer-2015\\_ES.pdf](http://blog.zanox.com/es/espana/wp-content/uploads/2015/03/zanox-mobile-performance-barometer-2015_ES.pdf)

Fashion and luxury goods are what consumers most often purchase on their smartphones, with household cleaning products coming in dead last as they hardly qualify as “impulse buys.” Although not all business sectors currently sell their products online or through eCommerce channels, consumers are showing interest in being able to shop this way.

According to a report released by IBM Business Consulting Services, 75% of the 700 users they surveyed reported that they were interested in making purchases on their mobile devices. Likewise, in a GfK report, 11% of Spaniards who consult Internet websites on their smartphones also use their phones to make purchases. Of these consumers, 90.8% state that they use mCommerce for the convenience and 29.9% believe that mCommerce helps them save time<sup>7</sup>.

In 2012, Pagantis<sup>8</sup> published a very revealing report on how Spaniards consumed content. Though an updated version has yet to be released, it is still worth having a look at some of the report’s findings. For example, in 2012 the average Spaniard spent 2.80€ on micropayments, up 12% from 2011. The most frequently used payment methods were SMS (39%), credit cards (26%), and phone calls (25%). Online games topped the list with a 41% increase over the previous year’s figures, with users in this sector spending an average of 2.89€ on micropayments. The music and video sector proved less explosive, increasing by just under 3%, with an average expenditure of 2.52€ per user.

According to *Informe TecnoCom sobre Tendencias en Medios de Pago 2013* (TecnoCom’s 2013 Report on Trends in Payment Methods), an increase in the use of micropayments leads to a reduction in processing costs<sup>9</sup>. The use of micropayments in peer-to-peer (P2P) and sharing-economy business models has also grown, leading to the development of new submodels. One of these submodels, called “direct operator billing” or “carrier billing,” allows consumers to use their smartphones to make purchases which are then charged to their phone bill<sup>10</sup>. Mugipay, a new app for smartphones, is a cross between the online payment platform PayPal and instant messaging apps like WhatsApp or Line. Users of Mugipay can make small payments to other users from the app itself. A good example of a blended model, this app falls somewhere in between micropayments and P2P.

The transactional or micropayment model is well-accepted in the phone app sector and it is also gaining ground in the gaming sector, though the profile of gamers makes them less susceptible to this type of model due to their interests and character. However, many believe that the micropayment and subscription models will one day define the gaming industry<sup>11</sup>. For the moment, League of Legends and Dota 2, both of which use micropayments, are two of the most played PC games in the world.

Whether users are offered the chance to purchase virtual objects or whether they need to buy their way into the next level, this business strategy falls into the category of “in-app purchases” or the “in-app” model for short. The aim of in-app models is more than to just promote the use of the app and to get as many people as possible to download it. In these mostly free or reasonably priced apps, accessible content is fragmented. This essentially means that the first few levels of a game, or the first few fragments, episodes, or chapters for other types of content, are available for free, like in the freemium model, and users are then offered extra for-a-fee content during the use of the application.

Recently, though, a problem was discovered with this model. Many times these apps are used by children. While using apps that contain in-app purchases, whether educational apps or games, users are prompted to make a micropayment in order to advance, which can often be done instantaneously.

Although a password is required to make in-app purchases, the U.S. Federal Trade Commission fined Apple for permitting this type of payment in its apps aimed at young audiences since children have been known to spend outrageous amounts of money to continue using these apps. The FTC’s ruling forced the Cupertino-based com-

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7 <http://www.giztab.com/el-abc-del-pago-movil-en-tehdencias-con-giztab-por-ondacro-podcast/>

8 <http://www.europapress.es/portaltic/sector/noticia-espanoles-gastan-12-mas-micropagos-contenidos-digitales-20121212151750.html>

9 <http://www.ebanking.cl/noticias/cual-fue-la-tendencia-de-los-medios-de-pago-este-ano-2013-0019220>

10 From *Informe de la Sociedad de la Información en España* (Report on the Information Society in Spain) available at [http://www.fundacion.telefonica.com/es/arte\\_cultura/publicaciones/sie/sie2013.htm](http://www.fundacion.telefonica.com/es/arte_cultura/publicaciones/sie/sie2013.htm)

11 <http://www.cnet.com/news/micropayments-mega-angst-and-the-future-of-console-games/>



pany to pay \$32.5 million directly to affected users. The European Commission has also announced plans to study ways to regulate this type of model.

In order to prevent future cases of uncontrolled spending, especially in apps designed for children, Google play has developed a system which makes it necessary to enter a password every time micropayments are solicited. Google has also decided to stop classifying its game apps as “free” since they actually include in-app micropayments. Apple too has moved away from using the term “free,” instead letting users “obtain” their apps.

Regardless of the type of application or platform, micropayments are becoming a viable alternative to other models, like the subscription model for instance. This is the case of the cable television channel HBO. HBO, which has the exclusive broadcasting rights to the well-known TV series Game of Thrones, but which is only available in the United States and Latin America, decided a few years back that its viewers no longer needed to subscribe to the channel nor make any sort of payment in order to watch this series. With their new app called HBO Now, the channel has decided to make content available based on the micropayment model for those who do not want to commit to a subscription and only want to pay for the programs that they are really interested in watching.

As was mentioned in last year’s report and again in the introduction section of this year’s report, and which will also be discussed later on, the publishing sector has been able to adapt to this model with ease. As was said earlier, connections can be made between pay-per-use, micropayments, and fragmented content. The main advantage of fragmented content is that users, like in the iTunes model, only need to pay for what they are truly interested in, without having to pay more for additional information, services, goods, etc. that they do not want.

Keep in mind that one of the pioneering initiatives associated with fragmented content was actually introduced by The New York Times. The newspaper made its articles available to its readers on screens scattered around the streets of the city. This way, readers could use their smartphones to download articles from NYT2day.com and receive a direct link to The New York Times website. Though this service is no longer in effect, it was a first attempt at using the new digital formats to offer fragmented content through mobile phone technology, stepping away from the free model made popular on the Internet in favor of a pay-per-content approach. A pioneering effort that, as is evident after all these years, is here to stay.

Shortly afterwards, Sunday Book Review, The New York Times’ prestigious literary supplement, became available for sale on several digital platforms (Sony, Kindle, NOOK, etc.). Readers who were only interested in the literary supplement no longer had to pay \$13.99 per month on Kindle to subscribe to the newspaper. They could instead purchase only the items they wanted.

The use of the micropayment model in the print media sector is getting its second wind thanks to initiatives like [Blendle](#). Not excessively original, but certainly significant, this Dutch newspaper distributor has been christened the iTunes or the Spotify of the press world.

Like Kiosko y más and Zinio, which will be discussed later on, Blendle is a digital newsstand that sells newspapers and magazines. Its novelty, however, resides in the fact that users can purchase individual articles as part of its fragmented content and micropayment model for approximately 0.20€ each. The idea is based on the very nature of the model, allowing users to pay only for what they really want to read and making content affordable to all types of consumers, especially to younger audiences.

The aim of this model is to stimulate, one way or another, the discovery of new content. Because of its affordable prices, Blendle’s initiative encourages users to read articles that, had they only been available in their complete magazine format, they would not have otherwise read. The focus of Blendle’s profile, then, is clearly on appealing to the younger crowd. Proof of this is that many of its users register through Facebook and are under 35.

The platform is growing considerably in Holland, partly because its catalog mostly includes publications in Dutch and not international English-language magazines. However, Blendle has reached agreements with international publications such as The Economist, The Wall Street Journal, The Washington Post and The New York Times. Profits are split 70% for the publication and 30% for the platform. The platform, after only one year, has built up a readership of 250,000, the majority of whom are based in Holland.

Companies like [CoinTent](#) provide the technology that media outlets such as Blendle need to offer their content on a subscription or a micropayment basis. CoinTent is a startup that was founded by former employees of Zynga, a company that specializes in developing video games for smartphones based precisely on the micropayment

model. For content that costs less than 2€, CoinTent pays publishers 80% of the purchase price, leaving 15% for the platform itself and 5% to cover the cost of processing the payments. The way percentages are divided for content costing more than 2€ depends on the overall cost and the number of users who purchase it.

In the digital publishing sector, Amazon was one of the first to start using the fragmented content model in its Short Cuts series for Kindle devices. This initiative was primarily directed at readers who were interested in the subjects of finance, business, and business management.

Together with the prestigious Harvard Business Review Press, Amazon's idea was to offer users individual chapters and summaries of articles written by prominent experts in several fields. What made the initiative unique was that the chapters were classified according to how long it took to read them, which varied between 10 and 30 minutes.

These examples highlight the advantages of being able to buy individual chapters of certain eBooks, especially technical manuals, textbooks, and guidebooks. Using this pay-per-use idea, users can build their own poetry anthologies, storybook collections, or even compile a list of their favorite passages from books. Readers who access this type of service are provided with a "do it yourself" or a "mix tape" experience. Eventually, platforms whose sole focus was on allowing users to customize content, like eBookPie, Slicebooks, and BookRiff, began to appear. This model is both affordable and reader-friendly and, once platforms work out how to divide royalties, it can be advantageous for publishers as well.

eBookPie, since rebranded as [Slicebooks](#), was a pioneer in implementing this model in the publishing sector. It began a service called The Chapterizer which allowed publishers to divide up their books so that readers could select from among the fragmented content according to their interests to make their own customized editions of books with the chapters they chose. Readers could even come up with their own covers. It could even be said that Slicebooks made the transition into creating content by giving publishers the ability to re-edit, cut, fragment, and transform their books through this self-publishing platform.

This initiative encouraged publishers to revise their content and their catalogs so that they could quickly, easily and autonomously reconvert chapters or parts of books into short-form eBooks using Slicebooks' innovative tool. These new short-form eBooks were, as a result, combinations of several books. As Slicebooks points out, the short-form model is easy for the educational sector to work with, and it can also be used to create customized travel guides as well as corporate, scientific, technical or academic packs, etc.

International publishing houses such as O'Reilly, McGraw Hill Education, Lonely Planet, HarperCollins, Ingram, Penguin-Random House, Michelin Guides and a long list of others in many different genres are currently working with Slicebooks to make fragmented content of their books available to readers. At the end of 2014, Slicebooks added a new service to its newly opened [Slicebooks Store](#) through which readers could piece together their own eBooks using fragments of the digital books for sale in the store. Without a doubt, this service is more-than-ideal for teachers and academics.

[BookRiff](#) was also headed in the same direction before being transformed into an online price-comparison search engine for books.

Originally, BookRiff was a platform that allowed its users to create content that had been gathered from several sources. Though the initiative was based on traditional publishing media, it also incorporated the advantages of new digital media in terms of access to content and use of that content. Anything was possible when creating a customized book, including adding audio, video, and images. Users could easily "remix" their own books to include random chapters, articles, essays, or even their own content.

Grupo Planeta is an innovative Spanish publishing group that began offering fragmented content on its Gestión2000 platform. For the first time in Spain, individual chapters of eBooks could be purchased, giving readers the chance to buy only those chapters they were most interested in. One of these books was Javier Celaya's *La web 2.0 en la empresa* (Web 2.0 in the Workplace). Planeta is currently offering fragments of the book *#Ciudadanos* (#Citizens), a collection of 10 articles written by 10 different authors, to be sold so that its authors can market their own particular fragments.

Content designed to be read within a certain amount of time, a new trend in the fragmented content market, continues to grow. Take for instance the two-minute stories marketed in Japan which are intended to be read on

commuters' smartphones between subway stops. Amazon was once again among the first companies to market these types of stories on Kindle Singles.

Kindle Singles is a specialized section of Amazon's online store that sells short texts written by authors and readers alike at reasonable prices. These texts, which range from 10,000 to 30,000 words, include stories, articles, short essays, fairy tales, etc. This model has proven to be ideal for incentivizing the creation of and access to texts which are not long enough to be considered books but which do not deserve to be overlooked as a result or be made to wait until a suitable collection can be put together. Kindle Singles' model also exploits the market niche for short texts for smartphone apps.

Since the introduction of short-form and fragmented content, the demand for eBooks in these formats has increased. A study was carried out by paidContent in 2012<sup>12</sup> (no updated version of which is available) which is still representative today as it shows the rapid evolution of the short-form model.

According to statistics published in this study, Amazon had earned approximately \$1.12 million with its short-form model at the time of publishing, selling 2 million Kindle Singles in its first year of operation alone – a very respectable amount considering that these eBooks were sold at prices ranging from 0.99€ to 2.99€.

Looking for similar results, Hachette decided to team up with Bloomberg Businessweek to turn some of the magazine's most relevant content into eBook singles. Random House and Penguin (which have recently merged) and Open Road are just a few of the companies that followed their lead. In order to keep the success of this model going, however, it is necessary to maintain competitive pricing. Going beyond a certain price margin may halt demand for this type of product<sup>13</sup>.

Amazon's initiative caused quite a stir, even in Spain. The company formerly known as Random House Mondadori created a new collection in its DEBATE line called **EnDebate** to exclusively publish eBooks for less than 2€ apiece. These eBooks were approximately 10,000 words long and were appropriate for reading on eReaders and other similar devices. It was the first time that a Spanish publisher had applied a model of this type.

Shortly afterwards, Random House Mondadori came out with **RHM Flash**. This new digital division sold short texts from among the best literature in its catalog that were approximately 10,000 words long by both classic and contemporary authors for just 1.49€. The idea behind RHM Flash's initiative was to reach out to its most digital readers, the ones who were most accustomed to reading shorter, fragmented content, and to users who were looking to give reading a try on their new electronic devices.

Internationally, other examples of companies which have applied this model include Longreads, Byliner, **Atavist**, and **TED Books**. TED Books is the eBook version of the popular TED Talks, made available through Atavist's platform. TED Books range anywhere from 10,000 to 30,000 words and are sold at prices averaging somewhere between 0.90€ and 4.90€. Paradoxically, depending on one's point of view, what some consider a short read, especially compared to a novel or a long essay, others call "long form." The tendency on the Internet, however, is towards ever shorter articles. Journalistic articles, like Atavist's research articles or TED Books, are good examples of what are considered short with respect to normal reading habits but long when meant to be read online.

The double intention behind the concept of adapting to short forms is first to allow authors to synthesize ideas that they might not be able to transmit as well in a longer text for time or space reasons, and second to take advantage of readers' changing reading habits to try and reach a wider audience. In journalism, the perception of long and short is the opposite, but for digital readers interested in all kinds of content, these texts are still considered shorter than conventional books.

Longreads and Byliner are different, however. What **Longreads** does, basically, is help its users find and share the best long-form stories and articles. Like a search engine, Longreads classifies and lists all types of texts from different publications known for their stories, articles, and think pieces like The New Yorker, The Atlantic, Esquire,

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12 <http://gigaom.com/2012/03/12/419-exclusive-amazon-has-sold-over-two-million-kindle-singles/>

13 <http://www.motherjones.com/kevin-drum/2012/03/ebooks-are-too-damn-expensive>

and a long list of others. It also includes stories, in-depth interviews, and historical documents found online in blogs or in digital journals. Along with the search results, which Longreads lists by term or by topic, the platform also indicates how long readers are expected to take to read the texts (anywhere from 15 to 60 minutes) and the total number of words.

Longreads made its debut in mid-2009 as a hashtag on Twitter. #longreads was used to indicate that the link was reference-led to content requiring a long, careful, deep read. The success of this simple initiative on Twitter developed into the current reading-oriented website which now has more than 2,500 members who pay \$3 a month or \$30 a year for access to content. Since October, and as a result of its partnership with Automattic/WordPress, Longreads is now offering its own original content exclusively for members. Longreads, through this move, is demonstrating that it is going back to its roots, offering a new service it calls Longreads membership which is not meant to simply keep the project going as much as to finance its writers' stories in exchange for exclusive content and gifts<sup>14</sup>.

Byliner, on the other hand, is an eReading platform that has quickly chalked up significant success in publishing short content. However, when it first introduced its subscription model, things did not go well<sup>15</sup>. Even though in the first 18 months it sold more than a million stories and articles, which was one of the reasons why well-respected authors and writers allowed their stories to appear on the platform, Byliner was ultimately acquired by Vook, and its present and future continue to be up in the air.

It is, however, important to mention the format Byliner's model used, long for journalistic articles and short for works of fiction or essays, because it has had several imitators. Byliner's aim was to include everything certain authors had published on the platform's website, from articles to interviews to unpublished stories, book reviews, short stories, etc. This way, users could use the service to learn more about their favorite authors through news reports, updates, and texts. Users could also follow these authors through the platform, send links to their friends, and share whatever they wanted on their social media profiles. Byliner's metadata system handled the task of making recommendations to users.

Byliner later started a subscription service for those readers who wanted to have a permanent, direct relationship with the authors they followed most and were most interested in. These magazine articles and short-form books cost between 3€ and 4.50€. The New York Times has since done the same with its most recognized columnists and writers.

Returning to fiction and the short-form boom, it is important to mention that a website dedicated to reviewing and recommending short-form content already exists. It is called [Thin Reads](#). Thin Reads most often reviews content from Kindle Singles (Amazon), Quick Reads (Apple's iBooks Store), and NOOK Snaps (Barnes & Noble). However, Thin Reads has more than just reviews; interviews and information on upcoming publications are also available.

A study<sup>16</sup> was commissioned prior to launching Thin Reads that revealed some interesting information about this model. For example, it was found that 54% of the short eBooks that Thin Reads had in its database had been created specifically for this format and to be read digitally. A total of 14% were from Amazon's Encore program, or in other words, were previously published works or works that had been transformed or updated. Short-form non-fiction works (69%) outnumbered fiction titles (31%). The study also uncovered the significant interest that publishers, the media, and online platforms had in this model.

The next step then is not only writing and publishing this type of micro-fiction but also creating "micro-reviews." Users of [BlablaLivre](#), a recently launched French platform that recommends books, do just that when they give their opinion or comment on books in 140 characters or less, like on Twitter. BlablaLivre intends to create a broad community of users who are able to quickly give their opinion on books, especially novels, which is what this tool focuses on most.

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14 <http://blog.longreads.com/2014/10/06/the-longreads-membership-is-now-twice-as-powerful/>

15 <https://gigaom.com/2014/07/04/why-did-byliner-fail/>

16 <http://gigaom.com/2013/04/08/thin-reads-an-online-guide-to-e-singles-launches/>

Because of the brief nature of these recommendations, users' comments can be popularized, thus avoiding longwinded critiques that are common in other online communities. The whole thing works like Goodreads: When users log in (via e-mail or Facebook), they can search for a book (by author, title, ISBN, or by using exclusive metadata from Amazon), and, by clicking on the book jacket icon, see the all of comments and opinions left by others in 140 characters or less.

Another of BlablaLivre's collaborative aspects is that its lists are created by its readers. Gone are the genre- or category-based lists. These user-generated lists are focused more on specific rather than general topics, which, together with tag clouds, makes it easier to perform searches. This initiative, still in the beta stage, was born of the desire to provide BlablaLivre's online community with greater speed and simplicity in an age when users want to browse as quickly as possible given how much time it takes just to sift through the sheer amount of choices put before them.

The growing interest in brief content is precisely why Comma Press has developed a web project and an app called MacGuffin. [MacGuffin](#) is a self-publishing platform for digital mini-stories and short-form audiobooks. According to its senior staff, MacGuffin is the perfect tool to create anthologies and to write poetry or short-form essays, novels, and stories. One of the interesting features of the platform is how much analytical data it collects. Information is available on the number of people who have read or listened to a particular book as is the place where they stopped reading or when they stopped listening. All of the data that MacGuffin collects is obtained with the consent of the users themselves.

And it is not just digital and print books that are adapting to this brief content trend. Consumers' habits are transforming and, depending on the type of content, short videos and audiobooks are becoming new ways to access information and knowledge. For example, [Audvisor](#) is a company that markets 3-minute audio clips through its app in which business experts share their advice.

Each clip, made by some of the most-renowned experts in their fields, focuses on a single topic. As users interact with the content, the application begins to learn what their preferences are and offers them content relevant to their searches. As can be seen, then, the combination brief-and fragmented-content model has already reached the highly susceptible audio and video formats, especially from a mobile-device perspective, and is making its way into every sector.

One case in point is Spain's National Orchestra and Choir. This organization, in conjunction with the Reina Sofia museum, began offering the first "mini-concerts" back in the spring of 2015. One of the features of these mini-concerts was that they only lasted 30 minutes. The organization held two concerts a day and spectators could choose to attend one concert, the other, or both. One of this initiative's main objectives was to attract new audiences to classical and contemporary music performances by offering them fragmented and/or brief format content; quite possibly the ideal medium to appeal to novel concertgoers.

Finally, even though it does not directly relate to the publishing sector, the following shows that all sectors are being shaped by this trend towards brief content. [Pildorea](#), an online training community specializing in audiovisual materials which are geared towards providing immediate, quick, and simple video learning opportunities, uses a method that follows the now-gone Know Pill's model of meting out educational material in small doses. The videos on Pildorea are created by training experts in the audiovisual sector.

## 1.2. PAY-PER-USE: STREAMING & PAY-PER-VIEW

Pay-per-use is one of those models, together with the subscription model which will be discussed shortly, that are closely linked to the changes and breakthroughs taking place in several different sectors. Along with micropayments, pay-per-use seems to be one of companies' preferred alternatives to either substitute or to accompany their existing subscription models.

Basically, pay-per-view, as a business model, first appeared in the television sector. As its name suggests, it is a system which allows users to pay only for what they watch. Outside of the audiovisual industry, however, the model is most often referred to as "pay per use."

**Carsharing** is one of these examples of the pay-per-use model outside of the audiovisual sector. Carsharing is a recently created car rental company based in Madrid that only charges its customers for the time its cars are used, not for entire days or weeks.

The pay-per-use model has also made its way into the hotel sector and it is now possible to rent hotel rooms by the hour. **ByHours** is a platform through which users can book a hotel room by indicating what time they want to check in and what time they want to check out. The platform also offers fixed-rate packages of 6, 12, 24, and 48 hours. ByHours charges a small fee for matching users to hotels.

Even the energy sector in Spain is taking steps to introduce plans that charge customers for the energy they consume depending on the time of day<sup>17</sup>. Again, technology is key: Only those customers who have smart tele-metering devices can participate in this pay-per-use model. In any case, however, it is a step towards fairer pricing, something which the European Union is studying under its digital single market project<sup>18</sup>.

Another version of pay-per-use, before beginning the discussion of this model, is something called pay-per-results. **Xaxis**, the digital media platform, through its still-to-be-released Light Reaction agency, will allow its clients to pay only for the mobile-first outcomes that its advertising produces in line with certain pre-set goals.

Finland's **Consumer Disputes Board** has taken this idea to the extreme. Though not a business model per se, it does reflect how culture is being consumed and the value that is assigned to it at any given moment, similar to consumers' treatment of pay-per-use or, more specifically, "pay what you want" content, which will be seen later.

By contacting the Finnish consumer board, concertgoers who are not satisfied with a performance they have seen can get their money back, or at least 50% of the ticket price. This all began when a fan who went to a Chuck Berry concert demanded a refund since, as he explained, the legendary musician seemed "a bit fatigued and not very inspired." So now, when audience members feel that a singer or a band is not performing up to their usual standards, they can ask for part of the cost of their tickets to be refunded.

In the cultural industry and the media sector, pay-per-use is in fact closely connected with subscriptions, which will be discussed in more detail later on. Generally speaking, users pay a fixed amount for a subscription and are then entitled access to certain paid content. This is similar to flat-rate plans that are either valid for specific periods of time or which limit the number of times paid content can be accessed. Sometimes, users can simply pay to view specific content without having to prepay or take care of any initial startup fees, which is more in line with the original pay-per-view model.

"A la carte TV" and "a la carte music," etc. are other terms associated with this model. Canal Plus and Sky are two of television's most emblematic examples. Streaming, or the live broadcast of an event (a football match, a concert, etc.), first became popular through the broadcasting of sporting events. YouTube and Dailymotion, two of the most popular video sites on the Internet, offer similar services. Online conferences as well as educational and training events are other ways of providing streamed content.

The performing arts sector has certainly known how to take advantage of the benefits of streaming. Technological advances in high-definition audio and video have allowed auditoriums and theaters to record performances, which can then be marketed through platforms that make use of new technology to stream the product to viewers under optimal conditions. These theaters and auditoriums have, as a result, become producers of audiovisual content which they can then exploit as a complement to their regular business activity.

The real challenge, though, is making sure that these two functions actually complement each other and that one does not replace the other. In a report published by Nesta in the United Kingdom<sup>19</sup> on the plays that are streamed into cinemas, it was found that audiences who go to see these performances in cinemas are in fact not ultimately discouraged from going to the theater. In reality, the opposite is true. These spectators are much more inclined to

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17 [http://cincodias.com/cincodias/2015/05/27/empresas/1432751098\\_372975.html](http://cincodias.com/cincodias/2015/05/27/empresas/1432751098_372975.html)

18 See <http://www.minetur.gob.es/es-ES/GabinetePrensa/NotasPrensa/2015/Paginas/20150609-mercado-unico.aspx>

19 <http://www.nesta.org.uk/publications/beyond-creative-industries>

buy tickets to see the play in person the next time. The report showed that audiences also enjoy, although on a different level, recorded performances on DVD and live streamed performances.

Under ideal circumstances, audiences would rather go to the theater in person, but many times, either because of geographical factors or because travel and ticket expenses are not within their budget, streamed performances become the next-best option to enjoy a top-notch play. An avid theater fan from 20 years ago would find it simply incredible to know that today anyone who is interested in the performing arts or in music can, through their computer or their neighborhood cinema, have access to the entire concert season of the Berlin Philharmonic in addition to the most important performances from the theaters in London's Covent Garden, New York's Metropolitan Opera, Milan's La Scala, or the Bayreuth Festival. These institutions have before them the opportunity to multiply their audienceship and for each performance to be enjoyed by numbers of fans far beyond anyone's expectations only a few years ago.

Some organizations, like the [Berlin Philharmonic](#), are not letting this business opportunity pass them by. This particular orchestra has acquired a high-definition audio and video system to connect with their global audience. Though a huge initial investment was required, they believe that in the long run the system will pay for itself and prove to be a source of additional income for the orchestra. The Berlin Philharmonic is now able to reach audiences around the world and make contact with their biggest fans whose only real desire is to listen to their favorite concerts over and over again.

The model used by the Berlin Philharmonic is based on the pay-per-view streaming of its concerts. This system has for the last four years allowed the orchestra to build up its catalog, which is now an additional lure for audiences because not only can they experience live concerts, but they also have access to the Berlin Philharmonic's growing archive of pre-recorded material.

In the time that the orchestra has had this service, it has only modified its prices once. Currently, it is using a time-based model, charging a flat rate per day, month, year, etc. Concerts held at the Berlin Philharmonic are advertised and promoted on social media sites. The two main sites that it uses are Facebook, where it has over 500,000 followers, and YouTube, where visitors can watch 3-to-4 minute promotional videos. The Berlin Philharmonic also has a Twitter account which is followed by more than 85,000 fans.

New York's Metropolitan Opera, or the Met, was the first to make use of high-definition equipment to stream content to cinemas worldwide, though its initial focus was on the American and Canadian markets<sup>20</sup>. Their first streamed performance was *The Magic Flute* back in 2006. Last season, the Met's streamed operas were seen by 2.5 million people in 54 countries around the world, bringing in \$20 million which the opera divided among artists and staff. According to *The New York Times*, the Met is the only institution to date that has managed to make a profit using this business model.

Streamed content is the basis of the Met's on-demand service. This content is later used to create DVD editions of its operas which, in addition to the operas themselves, contain loads of extras, like backstage interviews and details on the set designs, etc. This same material is also broadcast during the intermissions of live streamed operas. iPad users are able to access this content through the Met's app.

Like the Met, London's Royal Opera House streams several of its performances in high-definition to cinemas. It has also begun using market segmentation to promote its performances. One recent example is the way it promoted the ballet *Don Quixote* among its Spanish fans through newsletters and social media.

The Royal Opera House too has its sights set on the global market. On its website, fans can check its live performances calendar which also lists the cinemas where these performances will be streamed. The website even has a search box which tells users which cinema is closest to their particular city<sup>21</sup>. Last season, the Royal Opera House streamed nine of its performances to a total of 38 countries.

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<sup>20</sup> <http://www.metopera.org/hdlive>

<sup>21</sup> See [www.roh.org.uk/cinemas](http://www.roh.org.uk/cinemas)

Madrid's Teatro Real also streams live high-definition performances to cinemas but does so through a platform called [Palco Digital](#). This same platform also runs the Teatro Real's on-demand video service. Palco Digital has not yet developed an application for smartphones or tablets and is currently only accessible through its website. Milan's La Scala and the Bavarian State Opera also stream select performances in high definition to cinemas.

The performances that the Teatro Real streams are later sold on DVD and Blu-ray, providing the theater with an additional source of income. In fact, several opera companies like the Royal Opera House and the Paris Opera have opened online stores. Recently, the Teatro Real decided to start its own service in conjunction with Universal Music Store, making 8,000 of its performances available for download in MP3 format. The difference between these two models is that the Royal Opera House and the Paris Opera operate actual physical stores which sell recordings of performances on CD, DVD, and Blu-ray, whereas the Teatro Real has partnered with a third-party platform to market its catalog online.

One of the best-known examples of a flat-rate streamed-content, or video-on-demand (VOD), provider is [Netflix](#). The basic concept behind this platform is that it allows users to watch TV series and movies online as well as letting them rent actual DVDs, like from a video club. Netflix's pioneering subscription system model forced its direct competitor, Blockbuster, to develop its own online video rental service just to keep up. Though it is true that initially Netflix's business model was based on a single-unit rental service, this eventually proved unsuccessful. As a result, Netflix had to rethink its strategy, finally coming up with a subscription model that allowed its customers to rent practically as many DVDs as they wanted for a single monthly fee.

Like other major companies that sell online content, Netflix uses an algorithm in its recommendation system that keeps its customers loyal. By mid-2013, Netflix had more than 32 million subscribers in the United States, Canada, Latin America, Scandinavia, Ireland, and the United Kingdom, each of whom could access their content on any mobile device or smart TV receiver. Today, the company has 62 million subscribers and grossed \$1.6 million in the first quarter of 2015, 24% more than in the same period the year before. Netflix recently announced the company's international expansion plans which will soon bring Netflix to Spain and other countries<sup>22</sup>.

Amazon Prime Video and even the NBA and NFL have followed Netflix's lead and are now broadcasting sports events. Nubeox, Total Channel, and Filmin, among others<sup>23</sup> are some of the many different initiatives in Spain that are using this or other similar models.

The performing arts sector has its own Netflix-style platform called [medici.tv](#), which offers its users musical and operatic content. Every year, medici.tv streams approximately 80 live concerts for free thanks to the support from its sponsors and to the partnerships the platform has forged with concert halls and theaters. medici.tv has approximately 1,000 performances in its on-demand video library that are available to subscribers. Recently, this platform added the option to watch these performances through Samsung's SmartTV app. medici.tv's website currently receives 80,000 visitors a month from 198 countries.

[ARTE Live Web](#) also uses a similar model. Visitors to this platform can watch streamed performances or content that is uploaded after being broadcast on its TV channel. One of the problems that ARTE Live Web has, however, is that viewing rights outside of France and Germany cannot always be secured. This means that some content cannot be shown outside of these countries, limiting the platform's potential audience. Both medici.tv and ARTE Live Web have their own apps for smartphones and tablets.

In the publishing sector, and depending on the platform, the pay-per-view model has been roughly adapted to consist of charging readers a fee to access a certain collection or a certain catalog from one or more publishers. In the technological sector, the model is called pay-per-service (e.g. software as a service – SaaS), which is closely connected to the subscription model.

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<sup>22</sup> <http://www.elmundo.es/tecnologia/2015/06/03/556f12a4268e3e9e438b457f.html>

<sup>23</sup> See *Plataformas culturales en España: en fase de experimentación* (Cultural Platforms in Spain: In the Experimentation Phase) in *Informe sobre el estado de la cultura en España* (2nd Edition of the Report on the State of Culture in Spain): [http://www.falternativas.org/occf-noticias/la-salida-digital-de-la-cultura-21378](http://www.falternativas.org/occf/noticias/la-salida-digital-de-la-cultura-21378)



The publishing sector studied this model closely and quickly developed several initiatives. Online magazine platforms have proliferated, adapting their distribution methods to the possibilities of this virtual setting. One of the pioneers in this sector was [Next Issue Media](#), a joint venture of five leading publishers: Condé Nast, Hearst, Meredith, News Corp., and Time Inc. This U.S.-based startup is headed by Morgan Guenther, the former president of TiVo, the company whose technology allows subscribers to record content from their TVs.

Next Issue Media (NIM) has two pricing packages: “Unlimited Basic,” which includes monthly and bi-weekly magazines for \$9.99 a month; and “Unlimited Premium,” which gives subscribers access to NIM’s entire catalog, including weekly publications such as Entertainment Weekly, People, Sports Illustrated, and The New Yorker, for \$14.99 a month. Though these packs are charged monthly to subscribers’ credit cards, users also have the option to subscribe to individual magazines for between \$1.99 and \$9.99 a month or to purchase single issues of magazines for between \$2.49 and \$5.99.

Popular among tablet users, [Zinio](#), first appearing in 2001, has since developed international ambitions. Venturing beyond the borders of the United States, Zinio now distributes local magazines from countries around the world. With 5,500 titles and 12.5 million registered customers, Zinio is the largest of the digital publishing platforms.

Following on the success of Netflix and Spotify, which will be discussed shortly, Zinio experimented with on-demand and subscription business models. Just over a year ago, Zinio created a new product, called Z-Pass, which allows its customers to receive their choice of any three magazines out of a catalog of over 300 for \$5 a month. Subscribers can mix and match the magazines they get each month as well as cancel their subscription whenever they want (something users of mobile phone services would love to do). Customers can even add additional magazines to their subscription for an extra \$1.50 each, though certain magazines, like The Economist for example, cost more.

Zinio’s “all you can eat” buffet-style model is in obvious competition with what NIM offers, but Zinio has the advantage of a much wider selection. In addition to its desktop app, Zinio also has an app for smartphones and tablets. The prices it charges for single issues are sometimes too high for the digital market, however.

In 2015, Zinio expanded its market to include libraries by creating its mobile lending program app called Zinio for Libraries. This initiative was developed to allow patrons to borrow magazines from their local libraries after having logged into their library accounts. That way, these users can download the magazines they want to read onto their devices and enjoy them either on- or offline.

[Kiosko y más](#), Spain’s leading digital publisher, is this country’s answer to Zinio. Though Kiosko y más has its own iOS and Android compatible apps for smartphones, it does not have a desktop version. Paradoxically, some of its online magazines cost more than their print version counterparts, like iCreate for example. Kiosko y más offers its users 72 newspapers (five of which are first editions), 252 magazines, and more than 700 other publications including many supplements from more than 56 different publishers. The platform has also recently partnered with Casa del Libro so that its app users can also read books online as well.

Users of Kiosko y más can purchase single articles for approximately 0.89€ compared the price of an annual subscription to a newspaper which could run them between 100€ and 200€. The prices of the magazines available on Kiosko y más vary according to their content and genre<sup>24</sup>.

In the book industry, Overdrive and Oyster, the latter of which has just announced its merger with Google and will therefore shortly no longer be available in its original format<sup>25</sup>, were the first initiatives that resembled the business model just described, which is somewhere in between a pay-per-use and a subscription model. [Overdrive](#) was the first to offer pay-per-use content. It allowed libraries to offer their patrons publishers’ entire catalogs for free and only required payment when eBooks were borrowed. Movies could also be lent out the same way once agreements were reached with production companies.

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24 See <http://www.kioskoymas.com/index.php/tarifas>

25 See <http://uk.businessinsider.com/oyster-the-netflix-for-books-shuts-down-its-service-2015-9>

In the online library world, Overdrive's model was followed by [Hoopla](#), a company that began with audiobooks but that has branched out and now markets eBooks, movies, TV series, music, etc.

Hoopla bases its business model on providing a free service for library patrons. Once the library has paid a sign-up fee, all its patrons need to do is to have a library card to be able to view content on any number of devices.

Hoopla's content is available 24 hours a day. According to Hoopla, their initiative stems from the demands of current service users and from the transformation taking place in which users have grown accustomed to accessing content on their mobile devices in a single click.

One of the main advantages publishers see in the pay-per-use model is the chance to make eBook sales even more profitable. [Oyster](#), following this thinking, was at one time responsible for definitively revolutionizing the Netflix model in the book world. This New York-based startup, founded in 2012, launched an app for iOS at the end of 2013 which was later expanded to be compatible on Kindle and Android devices as well. Through these apps, users were given unlimited access to more than 500,000 books for \$9.95 a month.

As was mentioned earlier, Oyster was absorbed by Google at the end of September 2015, which means that it no longer follows its original model. However, it is still worth mentioning what Oyster has done up to now.

Like on Netflix, Oyster users could search for content by title, author, and genre or use the reading recommendations provided to them by the platform. One of the notable features this platform had was that users could read individual chapters. HarperCollins and Smashwords were among the mainstream publishers that signed agreements with Oyster as did many independent publishers. At one point, Oyster even decided to, in addition to its apps, make its online reading service available for PC use on all web browsers.

In April 2015, Oyster announced its decision to sell eBooks from the Big Five American publishing companies, including Penguin Random House and Hachette, two publishers that did not originally participate in Oyster's subscription model but for which users were no longer required to subscribe. Since there are currently so many platforms on which to buy eBooks, however, Oyster has decided to better differentiate itself by becoming a powerful reading recommendation tool instead.

Many believe the "all you can eat" buffet-style model is only really suited for those avid readers who devour books, which is why some criticize the publishing sector's move towards models that imitate Netflix and Spotify (which does the same in the music sector). The amount of time most people spend watching movies or TV series or listening to music is not always comparable to the time they spend reading.

In the publishing sector, there are two digital initiatives that are examples of pure pay-per-use. ValoBox and Total Boox believe that this model is the most flexible way of accessing literature. Think about it: How many people have put a book down never to pick it up again after reading just a chapter or two? These two initiatives hope to solve that problem.

Users of [ValoBox](#) pay only for the number of pages they read online. ValoBox correctly believes that, in terms of publishing, online content belongs to a world far different from that of conventional content, which is why it created its publication and reading-access model. From a business standpoint, content is king; therefore, it needs to be more integrated into its natural habitat – the Internet.

One of ValoBox's features is that books can be directly accessed through comments made on Facebook and Twitter. When readers leave a comment or write a review using a widget that links directly back to the platform, other users can access the book being commented on straightaway and begin reading whatever it was that caught their eye.

This type of business model is actually a social selling model because whoever posts a link to a book receives a 25% discount if someone makes a purchase as a result of that link. Publishers, for their part, receive at least 60% of the sale.

ValoBox also offers its users lots of practical tools to promote books on their personal websites, blogs, or through their social media profiles. All of the buzz that these books generate is recorded, giving ValoBox the opportunity to analyze the data in real time to see how sales are going and to see how and where their books are being read.

No specific reading device is required because the app uses HTML5 technology, making it possible for users to read their eBooks on any up-to-date browser. To make downloading content problem-free, ValoBox's catalog is stored in the cloud for easy access.

**Total Boox**, based in Israel, also bases its business model on the pay-as-you-go concept for eBooks. What Total Boox does is charge readers for the number of pages they read instead of selling them the entire book. This means that, as was mentioned earlier, if a book does not meet a readers' expectations and they want to stop reading after page 35, only that portion of the book need be paid for, though the total price of the book does not vary. It is that simple. Once users download the app (which is currently only available for Android devices), they can start reading eBooks.

The application provides the platform with all sorts of data on users' reading habits and the way they navigate through the system. Total Boox is the most radical example of pay-as-you-go in the publishing sector. In other cases, the model resembles (or is) a subscription model, but with different features that will be explained shortly.

When talking about pay-per-use in Spain, conlicencia.com's initiative deserves special mention. [conlicencia.com](http://conlicencia.com), a platform developed by *Centro Español de Derechos Reprográficos* (Spanish Reproduction Rights Centre - CEDRO), is a pioneer in the sale of pay-per-use licenses to reuse book, magazine, and newspaper content in Spanish and in other languages. Clearance is provided for companies, schools, universities, and public institutions to reproduce and share fragments of the works they want.

conlicencia.com has managed to synthesize and automate the entire copyright management process so that users can take care of all of their needs quickly and easily over the Internet.

Accessible from anywhere in the world, conlicencia.com is able to provide clearance for all of the works in its repertoire to any organization in any part of the world. Its global capabilities, then, are what makes conlicencia.com a useful tool for its users to responsibly manage information and to respect intellectual property rights laws.

In addition to what authors and publishers receive for the sale of or for the subscription rights to their work, they can monetize the use of their copyrighted content by means of two services offered by conlicencia.com: pay-per-use licenses for fragmented content and annual flat-rate licenses.

conlicencia.com currently has more than six million works in its repertoire available for reproduction under a pay-per-use license. Though the majority of these works were published in Spain, the platform's objective is to grow and to expand its repertoire to include works from other countries, especially those from the other side of the Atlantic. Recently, in fact, conlicencia.com has added catalogs of Argentinean works and it now has its eyes set on Colombia. Agreements with multinational publishers are also in the works.

conlicencia.com's flat-rate licenses currently provide clearance to use works from 30 different countries. Users can consult prices for various types of custom solutions for their companies, educational center, and public institution.

conlicencia.com is fundamentally designed to be an easy-to-use, intuitive, transparent, flexible, and safe way to provide users with access to fragmented content. In addition to being available in Spanish and in English, the platform also accepts payment in euros and dollars to make transactions easier.

In just five steps, organizations can obtain a license that fits their need to reuse and share content with employees, students, or clients. The first step is to use the search bar to choose the work that the user wants to reproduce. Searches can be performed by author, title, publisher, or ISBN. In the second step, users are asked to specify and describe the use they intend to make of the work. In the third step, the number of pages to be used needs to be quantified as well as the number of intended recipients. In the fourth step, users are given an estimate which they can then, in the fifth step, accept to begin processing their order. Users are informed of the status of their order at all times.

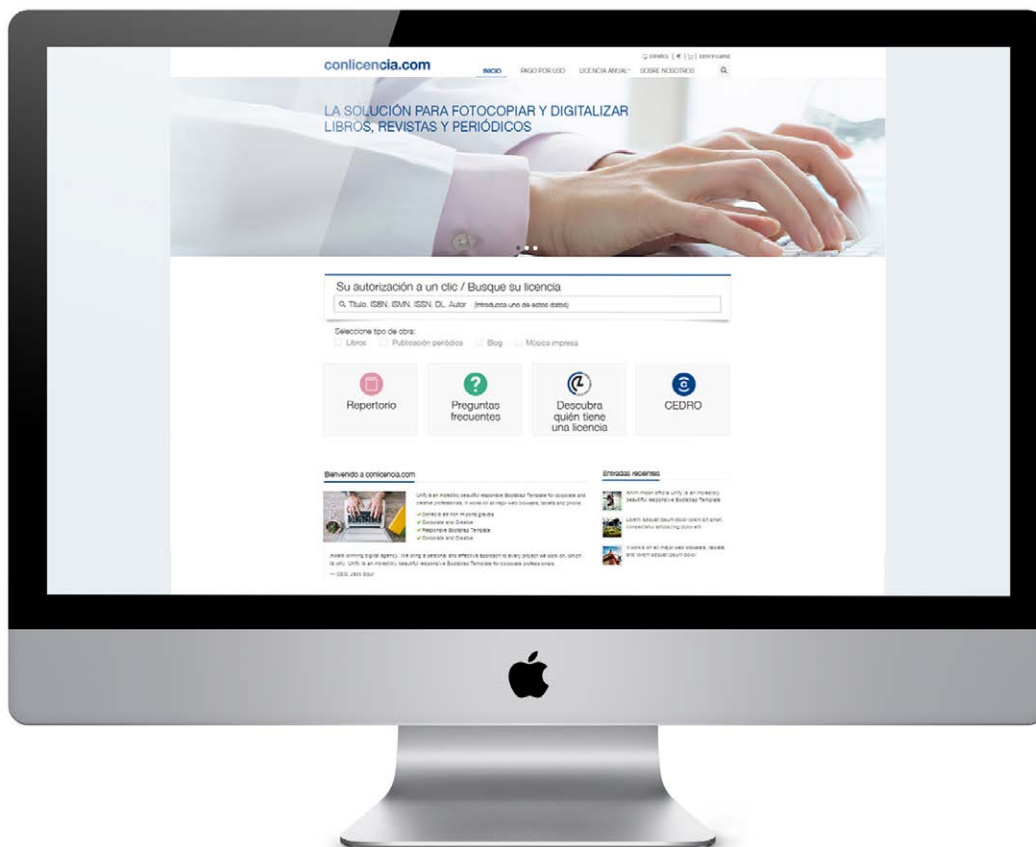


Figure 2. conlicencia.com's website

conlicencia.com also operates an intermediary service as well as a service to locate copyright holders. Its website was created to give companies, educational centers, and public institutions the means to acquire the licenses they need to reproduce extracts of books and other publications from around the world.

## 1.3. SUBSCRIPTION

As was mentioned earlier, the subscription model seems to be undergoing a series of transformations and developments to improve on a system that, at times, does not appear to be sufficiently profitable for certain segments of the cultural world. In this section, the way Spotify has found new channels to introduce its music content and how 24Symbols continues to create partnerships will be discussed.

As the examples of the many companies discussed earlier have shown, it is clear that the digital economy is both flexible and proactive, and subscription-based business models are themselves becoming more and more flexible. After having discussed the Netflix paradigm, it is now time to take a look at some of the characteristics of the subscription model.

One of the advantages of the subscription model is that it allows companies to work with fixed client bases and specific time frames (a week, a month, a year). This translates into a steady or positive cash flow since subscribers pay up front. True pay-per-use is different, though. In terms of business planning, the subscription model provides companies with a clearer vision of their real needs.

Examples of both on- and offline subscription models can easily be found in every sector. Even underwear can be bought on a subscription basis. For 69€ a year, Quarterly Underwear Club customers receive a new pair of underpants every three months. eCommerce has also helped the subscription model proliferate. First gaining popularity offline with magazines, the subscription model got its second wind when software companies began to use it online. The subscription model works for distributors, manufacturers, and consultants and for all types of services, products, or content.

In the gaming sector, subscription systems are experiencing significant growth. Called the “Netflix of gaming,” **GameFly** is an American company that specializes in the subscription model. GameFly rents users both consoles and games through the mail similar to what Netflix and Blockbuster do with DVDs. Back in 2012, GameFly added online PC games to their list of products which worked out well for hardcore gamers who no longer had to shell out \$50 for a new game. Now, for \$15 a month, gamers can take home the same \$50 game and finish it or, for \$22 a month, they can even rent two.

In June 2015, GameFly decided to make the leap to streaming which is why it acquired Playcast, a company that specializes in this type of service. The difference between GameFly and Netflix is that, instead of offering an all-you-can-eat type of model for a fixed monthly price, its users can rent game packages for \$6.99 a month each.

**EA Labels**, a well-known video game developer, has for some time been releasing its most popular games on a subscription basis. One such example is Battlefield Premium, a military simulation game that has over 1.5 million subscribers. For the last year, through its partnership with Microsoft, EA has been offering Xbox One users a subscription which gives them unlimited access to a certain number of games for \$5 a month or \$30 a year.

Other video games, like World of Warcraft and The Elder Scrolls Online, are played by millions of people around the world. These games are categorized as Massively Multiplayer Online Games and are accessed by means of a subscription system which requires users to pay a monthly fee.

There are several platforms in the audiovisual industry whose pay-per-use systems could also be classified as subscription models. In the music sector, **Spotify** is one of these examples. In 2008, Spotify began offering its streamed content service on a subscription basis using the freemium/premium model. Today, it has 20 million paying subscribers and more than 75 million active members. In June 2015, Spotify announced that it had paid out more than \$3 billion in royalties, \$300 million in just the first three months of that year, according to company sources<sup>26</sup>. However, there are those who are less optimistic about the numbers, saying that the company’s profits are not enough to sustain the model, that there are too few paying users, and that some of the contracts that the platform has signed with certain record labels are abusive<sup>27</sup>.

Spotify manages restricted rights for record labels that include Sony, EMI, Warner Music, and Universal. The platform, developed to give users an alternative to P2P models such as Napster, both includes and relies on its new releases. Netflix, in contrast, bases a large part of its business on older movies and TV series stored in its video archive.

Spotify’s subscribers can listen to all the music they want on an unlimited basis for up to six months. After that, they are limited to 10 hours a month. Freemium users have to listen to ads between songs while premium subscribers can enjoy their music ad-free and even download songs, in addition to other advantages. Freemium users are offered a 48-hour free trial period to experience what it would be like to have a premium account. Spotify, all told, uses a combination of three different models: subscription, freemium/premium, and free content with embedded advertising. Users of Android and iOS devices have had access to Spotify’s app since 2013, but as of yet there is still no Windows version.

Spotify’s model has been widely criticized by artists and record labels, especially when it was first introduced. They did not see how it could make any money. A standard subscription costs \$10 a month, 70% of which goes

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26 <https://news.spotify.com/no/2015/06/10/20-million-reasons-to-say-thanks/>

27 See <http://www.dosdoce.com/articulo/opinion/3972/la-necesaria-regeneracion-de-los-modelos-de-subscripcion/>

to copyright holders while the remaining 30% is kept by Spotify<sup>28</sup>. On average, copyright holders receive between \$0.006 and \$0.0084<sup>29</sup> per stream. A similar platform called **Tidal** was subsequently created to exclude middlemen so that all of the profit would go directly to the artists themselves, some of whom actually owned the platform, like Jay-Z and Beyoncé.

In 2015, word had it that Spotify was going to eliminate its freemium option, but this rumor was eventually refuted by one of the company's spokespersons. However, Spotify continues to look for additional sources of income through new sales channels, like its recent partnership with Starbucks to build a "music environment" in the coffeehouses. Starbucks' employees would be given a premium membership so that they could recommend singers and groups to their customers.

At the same time, Spotify would showcase a playlist on its website "sponsored" by Starbucks. It should not be forgotten that Starbucks has 21,000 locations around the world, which makes this particular partnership quite attractive. Through this partnership, Spotify can promote its premium option through special offers and by giving out coupons for free coffee. It is also creating a new point of contact for its platform outside of its traditional online setting through a real brick-and-mortar point-of-sale that has a reputation for being associated with music, reading, and entertainment.

Spotify's most direct competitors in the music industry are **Pandora** and **Beats Music**. Pandora, which is only available to residents in the United States, Australia, and New Zealand, markets itself as an online radio station and as the online customized recommendation service for **Last.fm**. While users listen to a song, the platform gives them the option to buy it or to get the entire album from a number of online stores. Like Spotify, Pandora's service has two types of subscription plans. The first is a free subscription plan subsidized by embedded advertising revenue and the second is a paid, ad-free subscription. Unlike Spotify<sup>30</sup>, however, Pandora bases its model more on its powerful recommendation algorithm and on the sale of its technology through apps and mobile devices.

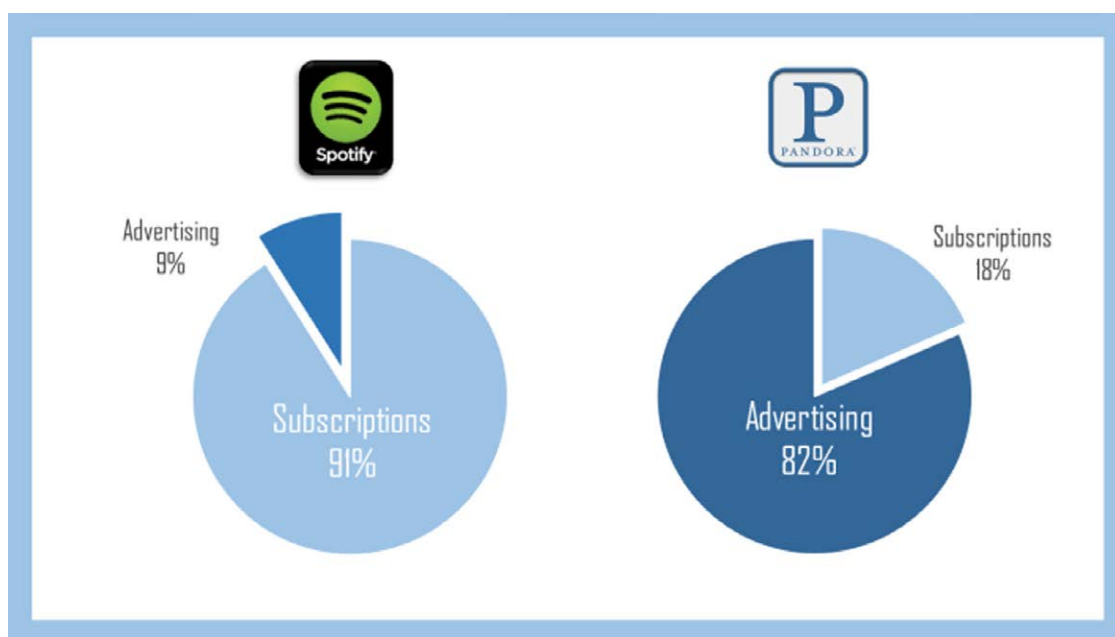


Figure 3. Source: <http://www.thestreet.com/story/13027011/1/pandora-vs-spotify-which-is-the-better-investment-option-for-you.html>

28 See <http://www.spotifyartists.com/spotify-explained/>, a website clarifying the platform's business model and how royalties are paid which was created to put a stop to artists' criticism.

29 <http://www.businessweek.com/articles/2014-05-21/why-spotify-and-the-streaming-music-industry-cant-make-money/#p2>

30 See <http://www.abc.es/tecnologia/redes/20130304/abci-spotify-pandora-comparativa-201303041050.html>

As can be seen in the graph, approximately 80% of Pandora's income comes from advertising and the remaining 20% from subscriptions. In Spotify's case, however, nearly 91% of its income comes from subscriptions and just 9% from advertising. What Spotify does have is a strong conversion rate given that 80% of its paying subscribers began as freemium users.

Beats Music, which belongs to Beats Electronic which was itself recently acquired by Apple, also operates a subscription model that closely resembles Spotify's. The difference is that Beats Music is a payment-only service and does not have a freemium version that includes advertising.

In spite of the criticism this model has received in this sector, the number of subscribers continues to grow. In fact, the total number of subscriptions to music services is expected to more than double by 2017. However, despite the fact that private investors have injected more than \$1 billion over the past decade into promoting subscription-only music sites, only the music industry and users have benefitted so far, not shareholders<sup>31</sup>.

How have subscription models been adapted by the publishing sector, apart from the Netflix-style models?

Print media were the first to develop different types of subscription models. The Financial Times and The New York Times were the first to test the concept of paid online content, stepping away from the generally accepted model of offering users online content for free.

In May 2002, the [Financial Times](#) started a subscription system that allowed users to access the content on its website. Although FT.com does give its users a certain amount of content for free, most of it is only available through three levels of paid access. Today, in addition to the 2.7 million visits it gets a month, the newspaper has more than 665,000 subscribers, two thirds of whom (505,000 at the end of 2014) are online users, accounting for more than half of its total revenue. More than 35% of its income comes from online subscriptions and advertising.

	Newspaper + online	Premium online subscription	Standard online subscription	Registration
<b>Price</b> <input type="radio"/> Monthly <input checked="" type="radio"/> Annual	€19.19 per week	€8.65 per week	€5.89 per week	Free
Email briefings and alerts	✓	✓	✓	✓
Portfolio tools	✓	✓	✓	✓
FT Alphaville plus selected FT blogs	✓	✓	✓	✓
Unlimited FT.com article access	✓	✓	✓	✗
Unlimited mobile and tablet access	✓	✓	✓	✗
Unlimited fastFT	✓	✓	✓	✗
5 year company financials archive	✓	✓	✓	✗
The LEX column	✓	✓	✗	✗
ePaper access	✓	✓	✗	✗
FT press cuttings	✓	✓	✗	✗
Three exclusive weekly emails	✓	✓	✗	✗
Daily newspaper delivery	✓	✗	✗	✗
FT Weekend delivery	✓	✗	✗	✗

Figure 4. Source: The *Financial Times* website

31 <http://www.computerworld.com/article/2487757/e-commerce/music-industry-sucks-life-from-subscription-services.html>

FT's subscription model is also supported by data analysis. The Financial Times compiles information on its readers, who represent a very special niche audience in the world of finance, and then sells it to advertisers interested in getting their hands on such a customized list. Much of FT's success can be attributed to its mobile version.

Visits to FT content on smartphones represent 45% of its total traffic, in large part due to the customizable news services it offers to mobile device users. In addition, 10% of FT's online advertising revenue comes from mobile content and approximately 25% of the new digital subscription orders it receives every week are for mobile devices.

**The New York Times**, whose website receives nearly 30 million unique visitors a month, currently has more than 957,000 paid subscribers for its Internet services, up 20% from last year. Thanks to these digital subscriptions, the newspaper earned \$46.1 million in the first quarter of 2015, an increase of 14.4% over the figures from the same time last year<sup>32</sup>.

The New York Times began its online subscription program back in 2011 and, since then, it has experimented with its pricing plans, which have ranged from \$15 to \$35 a month. Subscriptions include services, multimedia content, eBooks, and organized events, and they even provide the newspaper with data analysis on subscribers who may be thinking about canceling their subscriptions<sup>33</sup>.

	Web + Smartphone	Web + Tablet	All Digital Access	Home Delivery + All Digital Access
	99¢ FOR 4 WEEKS ▶	99¢ FOR 4 WEEKS ▶	99¢ FOR 4 WEEKS ▶	50% OFF FOR 12 WEEKS ▶
Price thereafter	\$3.75 a week	\$5.00 a week	\$8.75 a week	as low as \$9.00 a week
Access to NYTimes.com	●	●	●	●
Access to NYTimes apps for smartphone	●		●	●
Access to NYTimes apps for tablet		●	●	●
Access to the full Times Archives from 1851	●	●	●	●
Share Digital Access with a family member			●	●
Convenient delivery of the newspaper				●

Figure 5. Source: <http://www.nytimes.com/subscriptions/MultiProduct/tp3004.html>

Many other publications have adopted similar subscription models, including The Wall Street Journal<sup>34</sup>, The Economist<sup>35</sup>, and Spain's daily newspaper El País<sup>36</sup>.

A few companies in the publishing sector have followed suit, among them the legal field platforms IIEEE, Hoover's, and LexisNexis.

The subscription models that were first used by the publishing sector were similar to those found in the music industry but have since evolved to become more flexible. Some examples of these include Macmillan's scheduled release of Afictionado (which has yet to materialize), Safari, 24symbols, Skoobe, and Booquo, on which users pay a monthly or yearly subscription fee for access to content.

32 <http://www.lavanguardia.com/vangdata/20150430/54430326118/the-new-york-times-alcanza-los-957-000-suscriptores-digitales.html>

33 See [http://www.technologyreview.es/read\\_article.aspx?id=44816](http://www.technologyreview.es/read_article.aspx?id=44816)

34 See [https://www.wsjeurope.com/wsj12offerPPC/?psid=djcm\\_sem\\_wsjeurope\\_PX-Subscriptions-Denmark\\_General-Brand&mod=djcm\\_sem\\_wsjeurope\\_PX-Subscriptions-Denmark\\_General-Brand\\_Ad4&gclid=CMun2NCUzL8CFfMZtAodVWcADw](https://www.wsjeurope.com/wsj12offerPPC/?psid=djcm_sem_wsjeurope_PX-Subscriptions-Denmark_General-Brand&mod=djcm_sem_wsjeurope_PX-Subscriptions-Denmark_General-Brand_Ad4&gclid=CMun2NCUzL8CFfMZtAodVWcADw)

35 See <https://subscriptions.economist.com/CEMEA/EI/srch/?absplitsrc=/ce/srch&abrnd=53c7a3b2814ed&country=DK>

36 The El País model: <http://elpais.com/suscripciones/tarifas.html>



**Safari Books Online**, founded in 2001 as a joint venture between O'Reilly Media and the Pearson Technology Group, may have been the first to apply the subscription model in the book world. Its eBook subscription service is steadily growing, though its focus is on the niche markets of design, technology, IT, etc.

Safari's content is not just limited to books and eBooks; it also has videos, conferences, audiobooks, short-form eBooks (shorts), and even unfinished manuscripts. The first to be called "the Netflix of books," Safari currently has more than 150 employees and a catalog of over 27,000 books and videos. Monthly subscriptions start at \$39.

	Most Popular	Teams	Enterprise
	<b>Pro</b> \$39/month or \$399 per year Signup > <b>1 User</b>	<b>Teams</b> Starting at \$399/year billed annually Set Up Team > <b>Per user</b>	<b>Enterprise</b> Contact Us Contact Us > <b>Per user</b>
Unlimited Books	✓	✓	✓
Unlimited Video Courses	✓	✓	✓
Unlimited Audio Books	✓	✓	✓
Unlimited Conference Talks	✓	✓	✓
Unlimited Rough Cuts	✓	✓	✓
Notes, Syncing, and Highlights	✓	✓	✓
Personalized Recommendations	✓	✓	✓
Online and Phone Support	✓	✓	✓
iOS/Android App	✓	✓	✓
Discounts on O'Reilly Conferences		Coming soon	Coming soon
Custom Tutorials			✓
Dedicated Account Manager			✓
Direct Billing Options		✓	✓
End User Usage Reporting			✓
Ability to Reassign Licenses			✓
Group Self-registration			✓
Single Sign-on Integration			✓

Figure 6. Safari's subscription rates. Source: <https://www.safaribooksonline.com/pricing/>

Andrew Savikas, CEO at Safari Books Online, says that their model, rather than a subscription model, is a “package” because of the diverse content it offers potential users<sup>37</sup>. Most of this platform’s users read their books online, probably because most of the books it carries are technical manuals which subscribers use at work or which they need to consult on a regular basis. More than half of the books accessed by Safari users are over two years old because their niche is so specialized. This reinforces the idea that the subscription model for eBooks may be best suited for niche markets.

Quite possibly, the company that has had the greatest success in applying other sectors’ models to the publishing world is **24symbols**. Often referred to as the “Spotify of books,” this platform was the first to introduce the subscription model in Spain’s digital market. It also offers streamed reading content that does not require a dedicated device, just Internet access. Its model is based on cloud-stored content which allows its subscribers to download eBooks on any Internet-accessible device or smartphone regardless of its operating system.

In this freemium/premium-based subscription model, users who want to access eBooks for free are given limited access to 24symbols’ catalog and must put up with embedded advertising in their content. Premium users, however, have unlimited ad-free access to all of 24symbols’ content through one of several paid subscription plans. The premium version also allows readers access to the platform’s content offline. Monthly rates start at 8.99€.

Recently in Spain, 24symbols added a payment option through the mobile phone operator Orange for 6.99€ a month. The platform has also reached an agreement in Germany for users to subscribe through the mobile phone company mobilcom-debitel. Prior to this, similar agreements were reached with Tigo in Guatemala and Beeline in Russia.

Pursuant to their agreements, 24symbols pays publishers 70% of the sales revenue and keeps the remaining 30% for itself. Sales revenue is based on the number of equivalent hardcopy-version pages that users read. Publishers then pay their authors royalties according to 24symbols’ sales figures. 24symbols also acts as a shared or social reading space where users can find friends, compare opinions, talk about their latest reads, etc.

24symbols has since partnered with mobile solutions company Zed to increase its global reach. In the agreement, Zed was given 32% of the company. Zed’s client base has more than 400 million users thanks to the alliances it has created with over 200 service providers and operators.

The most recent data on 24symbols shows that its collection has grown to nearly 200,000 eBooks. Though 24symbols has many free public-domain eBooks, 98% of its books are licensed to one of the more than 120 publishers it works with, most coming from the catalogs of small and mid-sized publishing companies. Books in Spanish account for 25,000 titles in 24symbols’ collection, while between 60,000 and 70,000 are in English, 20,000 in Italian, and between 40,000 and 50,000 are in German. 24symbols currently has its sights set on the English-speaking market, namely the USA<sup>38</sup>.

Other platforms that take advantage of this social cloud-based reading trend and the subscription business model have begun to emerge. One of the first was Booquo, now called **Nubico**, which was born of the union between Telefónica and Círculo de Lectores (Grupo Planeta). Nubico’s premium service, currently available for 8.99€ a month (or 7.25€ a month for Movistar customers), though the price is subject to change<sup>39</sup>, gives subscribers unlimited access to a select catalog of nearly 10,000 books which are accessible via mobile devices.

In addition to Nubico’s catalog of eBooks in Spanish, which could be considered a variation of the streaming model, the platform’s content also includes streamed movies and performances such as concerts, plays, etc. which appeal to a diverse community of users and not just the eBook crowd.

In December 2014, Nubico reached an agreement with BQ, a manufacturer of eReaders and mobile phones. The object was to jumpstart premium eReading by allowing subscribers to read its nearly 10,000 titles indefinitely. The

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37 See <http://www.thebookseller.com/futurebook/10-questions-about-subscriptions-andrew-savikas-safari>

38 <http://www.efeemprende.com/noticia/24symbols-eeuu/>

39 See <https://www.movistar.es/rpmm/estaticos/residencial/fijo/servicios%20digitales/cp-nubico.pdf>

platform has also opened up its premium subscription program to include almost 40 magazines, including Mía, Cosmopolitan, Marie Claire, Muy Interesante, Muy Historia, Geo, Año Cero, Lonely Planet Traveller, Automóvil, etc.

In Europe, **Skoobe**, a German platform that has been operating in Spain since the end of 2014, uses a similar model. In Skoobe's subscription model, users do not purchase eBooks. Rather, their subscription allows them to read books on their tablets or smartphones through Skoobe's reading application. The platform also has a personal library function that lets subscribers arrange books any way they want.

Skoobe works more like a lending library with the added bonus that all of its books are available all of the time. Its catalog includes nearly 50,000 books from international to independent publishers, 5,000 of which are in Spanish.

A subscription to Skoobe's content currently costs 9.99€, which allows users to download up to five books at a time. Before they even have to register, Skoobe lets users read the first 30-40 pages of its books. The interface is fairly user-friendly and readers can sync their eBooks on up to three devices.

Skoobe's startup platform has a wide-ranging catalog that includes a lot of recently published works. Having teamed up with more than 70 of Germany's most important publishers puts Skoobe in a position to offer its readers quality, in-demand content. The company is thinking about expanding beyond their current German readership, possibly taking on the English-speaking market by establishing a foothold in the United Kingdom.

The latest company to adopt the subscription model is Amazon. Amazon's subscription service for eBooks and audiobooks, called **Kindle Unlimited**, costs 9.99€ a month and has 750,000 eBooks, of which 25,000 are in Spanish. Books from top publishers as well as from self-published authors are continuously added to the platform's catalog. According to Amazon's vice president, Russell Grandinetti, Kindle Unlimited subscribers spent 25% more on eBooks in the first 60 days after joining than they did in the 60 days prior to joining the subscription service<sup>40</sup>.

Another company that uses the subscription model is **Entitle**, formerly known as eReatah. This platform lets its subscribers read two books a month for \$9.99. For \$14.99, members have access to three books and for \$19.99 they can read four. Entitle has over 200,000 books in its catalog, including books from large publishing companies and groups such as Simon & Schuster, HarperCollins, Kensington Books, Berrett-Koehler, Houghton Mifflin Harcourt, Workman Publishing, Sourcebooks, Open Road Media, Rosetta Books, etc. One of Entitle's main selling points is its highly accurate recommendations feature which the company feels gives its readers an extremely personalized service, all thanks to its proprietary algorithm.

In the education sector, Scholastic's use of the subscription model deserves mention. **Scholastic** has started two subscription programs for textbooks called Storia School Edition eBooks and Core Clicks<sup>41</sup>. A subscription to these collections gives readers access to a library of more than 2,000 books including both classic and contemporary fiction as well as non-fiction titles. Subscriptions begin at \$2,000, with prices varying after that depending on the size of the school and the number of users with access to the collection. In the first quarter of 2015, Scholastic took in \$202.9 million in children's books alone, a 7% increase over the \$190 million it earned in the same period the year before<sup>42</sup>.

Through these programs, students have unlimited access to content at school and at home on their computers, laptops, tablets, or smartphones. What is more, this type of free access means that several students can use the same content at the same time without having to wait for their classmates to finish the book first.

The platform makes it possible for teachers to keep reading records, which are available for all levels, and to check on students' progress. Teachers also have the option to use this information to write activity reports and assess their students' reading level. Teachers and students alike can create their own virtual libraries and organize reading groups. These subscriptions also include short articles, literary passages, a highlighter feature, dictionaries, textual

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40 <http://the-digital-reader.com/2015/01/14/russ-grandinetti-consumers-spend-ebooks-joining-kindle-unlimited/>

41 See <http://www.scholastic.com/aboutscholastic/files/Storia-SchoolCollections-042514.pdf>

42 <http://goodereader.com/blog/e-book-news/is-the-scholastic-storia-streaming-e-book-platform-viable>

analysis, pronunciation tools with audio playback, and exercises to help improve students' concentration while reading.

**Schoolism** also uses the subscription model in the education sector, though its content is focused on art. Because Schoolism's primary aim is to provide everyone interested in artistic education with better access to it both from a functional and financial standpoint, it has created a series of online art courses led by experienced and well-known professionals that are available through its monthly subscription service. This means that it is no longer necessary to pay the traditional registration fees often associated with higher learning.

Schoolism's online courses incorporate eLearning approaches that rely heavily on visual content (most often in video format) and include complementary activities that users can customize depending on their interests and/or available time in order to learn at their own pace. The monthly subscription price has a premium option that includes assessment of the students' work.

Given that many label this model as niche, it is worth stopping a moment to mention an example of a vertical subscription model, namely **FarFaria's** vertical subscription model for children's books. FarFaria's app, created by technology consultants from Disney and Family.com, was at first only available for the iPad but can now be downloaded on Android-based devices.

Though the FarFaria app itself is free, subscriptions cost \$4.99 a month, \$39.40 a year, or \$49.99 for indefinite access. The app is designed so that there are no issues like those discussed earlier with in-app purchases. This way, children cannot purchase additional content and there are no ads to distract them or that take them out of the application. The stories on FarFaria are aimed at a wide range of ages, from little ones, who need their parents to read the stories to them, to children around 7 or 8 years of age.

The works of 30 different independent authors and 75 illustrators make up 80% of the stories in FarFaria's collection whereas the rest have been licensed by traditional publishers. According to FarFaria's website, some of their little readers read nearly 20 stories a week.

The recently launched **eBookKids** is a subscription-based reading service aimed at children between the ages of 3 and 9. This particular platform's collection includes approximately 350 books (in French, English, and Spanish) which can be read for 2€ a month.

eBookKids, which is more web-based and not so much designed for mobile devices, has a pedagogical focus. It encourages kids to read more by adding all sorts of features like audio files and interactive elements to its content.

**Metaforic**, which is still in the testing stage, is a Spanish-based children's eBook platform that uses the subscription model. The idea behind this particular initiative from Leer-e, spearheaded by Ignacio Latasa and Luis Arizaleta, is to host a subscription reading service for readers aged 6 to 8. Metaforic wants to get its subscribers hooked on reading and contribute to their literary education by recommending quality books and by getting them to participate in an online reading community where they can then talk about their reading experiences in different formats, like through blogs or in forums. Teachers can participate too through the platform's classroom corner.

One of the most interesting subscription-based eBook sales platforms is **Librify**, which was recently acquired by Scribd. Though some things have changed since the merger, Librify at one time based its business model on providing its readers with a new, shared, social reading experience by recreating book clubs in the virtual world, essentially building online communities. These book clubs were free to schedule their own meetings, choose the books they wanted to read, and then hold discussions at virtual club meetings. Members could also obtain temporary discounts on future eBook purchases.

Through the platform's application, members were not only able to read their eBooks on several different devices but they could also share their opinions and their notes with others in real time. The whole idea was to recreate that classic, even idyllic reading atmosphere with leather armchairs and bookshelves full of books waiting to be read, right down to virtual bottles of wine.

If the members connected to the platform through Facebook, they could invite their friends to join the club or use the social network to see who was already a member. Each member could set up their own library on the platform. Before being acquired by Scribd, Librify had more than 500,000 books in its collection, many of which were available at discounts of 10% to 20% off.

Audiobooks, which have experienced a rebirth in the last few years, also use subscription models to market their content. Most often, audiobooks are priced at between 12.99€ and 29.99€, but **Skybrite** decided to charge its users \$9.99 a month for access to 10,000 books from a wide range of categories including contemporary literature, biographies, language courses, audio versions of plays and comedies, interviews, and entire eLearning courses on all types of subjects. The service is provided through a mobile app for iOS and Android and soon, say sources inside Skybrite, there will be a desktop version.

The initial assessments on the use of the subscription model in the publishing sector are starting to come in and they are for the most part positive. A recent report sponsored by Safari and a number of other publishers published by the Book Industry Study Group<sup>43</sup> found that 80% of publishers believe that the subscription model for eBooks will be both an inevitable and an important part of the sector. Of the publishers that have implemented a subscription service, only 7% of those surveyed said that subscription services contributed significantly to their overall revenue today, but 59% expected that to change within the next five years.

According to the report's conclusions, "one major concern surrounding the increase of eBook subscriptions is the potential degradation of high-value markets." As was said earlier, the popularity that subscription models have with users in the music or television sector is not necessarily applicable to the book industry.

The report also stated that publishers that implement subscription models are required to perform a difficult balancing act that relies heavily on user behavior because, not only do companies need to get people to subscribe, they also have to keep them loyal so they continue subscribing. In other words, publishers need to ensure that their subscribers are being provided with sufficient reading options if they want them to stay.

As for the authors themselves, according to a study conducted by Digital Book World and Writer's Digest<sup>44</sup>, it is still unclear whether they feel they come out ahead with this model. There are opposing views between self-publishing or indie authors and those who publish their works traditionally, or through a publisher.

As the study states, the pool of authors surveyed is not large enough to produce conclusive results; however, it does demonstrate the perception among authors who publish their works through a publishing company that subscription models undermine their income. While 51.5% of indie authors believe that they are fairly compensated, only 32.8% of authors who publish their works through publishing houses do. In fact, 33.6% of authors who publish their works through traditional publishing channels admit that they do not know whether their books are being used as part of some platform's subscription service, compared to 13.1% of indie authors.

In the end, the subscription model is as controversial as it is of interest, to the point that there are companies whose sole business is building subscription platforms for others. One such company is **Cratejoy** which, like CoinTent seen in the section on micropayments, offers companies in any sector the technology they need to implement this model. What this startup does is build custom websites and eCommerce systems that it is able to implement in several ways on digital platforms for companies that are looking to market their products on a subscription basis. Cratejoy offers companies many different types of solutions, from design, hosting, payments, customer service, mobile capabilities, data analysis etc. to simply setting up the service for the client to manage things from then on out.

By specializing, Cratejoy has become a reference for integral subscription-model solutions for large companies all the way down to very specific niche businesses. In fact, there are nearly 3,500 companies lined up for Cratejoy's services, and the list continues to grow.

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43 <http://www.digitalbookworld.com/2014/for-subscription-ebooks-great-expectations-but-few-guarantees/>

44 <http://www.digitalbookworld.com/2015/which-authors-do-subscription-services-benefit/>

## 1.4. MEMBERSHIP

Membership, or belonging to a service, is a model that is beginning to generate more and more buzz, especially in the communications sector. Membership could possibly be considered a type of subscription, but, generally speaking, members and subscribers are two different animals.

Subscribers pay an up-front fee for a service or a type of content, like music, videos, books, or news. In other words, an agreement is reached in which subscribers, in exchange for a certain amount of money, receive what they have subscribed to.

Membership, however, means belonging to a group, which could be any type of company that markets services or content. Therefore, a user could be a member of a fan club or a book club, for example, but in order to receive a service or gain access to content, a subscription fee, whether annual, quarterly, or monthly, must first be paid.

From an insurer's point of view, policy holders are the subscribers while the people covered by the policy are the members. In short, a subscription implies regular payment whereas being a member means belonging to something such as a club, a newspaper, an insurance policy, a community, etc.

With regard to business models, however, the membership model is actually quite similar to the subscription model. Membership implies a much more direct and dependent relationship, a feeling of belonging that is not based solely on a monetary exchange for a certain service, like in customer loyalty programs. Membership is in reality, then, a marketing concept and therefore dependent on how it is defined. Members of WordPress are not subscribers of that platform, but they do belong to a community of members, its users, who share a common interest and who are loyal to that website.

Some membership business models do, however, require a fee in exchange for member status, something that is closely linked to the web services discussed earlier. For members, though, any subscription fee is secondary since belonging to the website or the platform itself is their ultimate goal; simply put, it is the place where they want to be.

For example, users of web services like [Match.com](#), the dating platform, are not just subscribers but rather members who drive the business they belong to. And users of [The Ladders](#), an employment networking platform, are treated like part of the community.

In other cases, the concept of membership is linked to having premium customers, subscribers who have perks that other users do not. This is what happens in the gaming sector when users are treated more as members than just regular subscribers. The users of the popular game [Second Life](#) (and later [Entropia Universe](#)), which is based on the freemium/premium membership model, are part of a community albeit in a virtual world. They are not just subscribers who access and play the game, they actually form part of it. In fact, only by becoming members can players enter that particular parallel world.

Often times, the difference between membership and subscription models comes down to subtle differences, to a matter of semantics. In the media industry, in addition to building loyal communities, companies are becoming more and more adept at creating other types of content (eBooks, videos, courses, etc.) around the content that they typically offer. Their goal is to develop a membership model that goes beyond subscriptions, something that can be directed at their most loyal and avid readers, like what Longreads did.

For example, [National Journal](#), a political journal belonging to Atlantic Media's National Journal Group, has a membership service. Members of this service are given unlimited access to the group's publications, to exclusive research tools, summaries of news articles, databases, workshops, and to other executive services that are directed primarily at active politicians.

[The Guardian](#) is studying how to incorporate new forms of membership, possibly by offering its members exclusive content or access to live content. In fact, The Guardian is considering renting an events hall in London solely

for this purpose. Both ideas are meant to generate greater reader involvement and to make more money<sup>45</sup>. **Pando**, a popular technology news website, recently launched a membership service to give its readers priority access to its monthly events. Pando also plans to give members access to its quarterly magazine. For the moment, the idea, which is still in the beta phase, is to charge approximately \$25 a month (or \$300 a year) for membership to the program<sup>46</sup>.

**Slate**, a well-known online magazine that focuses on political, social, and technological news, recently released Slate Plus, its new membership program. Like on The New York Times' platform Times Premier, members of Slate Plus can purchase tickets to events at reduced prices. Slate Plus members pay \$5 a month or \$50 a year for access to special editions and podcasts. They can even edit and write articles, participate in the magazine's internal discussion forums, and share their thoughts with the magazine itself or with other readers.

A recent example of an institutional membership model that started out as Open Access is **Open Book Publishers**. Open Book Publishers is a platform whose collection is primarily made up of Humanities and Social Science publications in a number of different formats (hardback books, PDFs, streamed eBooks).

Libraries can purchase a membership license for about 400€ a year which covers Open Book Publishers' operating costs<sup>47</sup>. This library membership system supports the platform's publishing program and allows students and researchers access to all of the publisher's content. All of the libraries that participate in the project are given the same special privileges which they can then pass on to their patrons. Open Book Publishers is certainly an excellent example of how to get the most out of Open Access content, financially speaking.

## 1.5. FREEMIUM/PREMIUM

Because the freemium/premium model is closely linked to the subscription and embedded advertising models, the new trends in both cases are very similar. Though a few examples of the freemium/premium model have already been discussed, it is now time to define it.

Freemium, a term coined by Fred Wilson, is a portmanteau of the words "free" and "premium." Freemium models have been around for years on the Internet. After Wilson, one of the freemium model's most outspoken advocates has been Chris Anderson.

The idea behind this model is to offer a product or content for free while reserving additional content for paid users, also known as premium users. Freemium content can, at times, include embedded advertising or marketing. The hope for companies like Spotify is that advertising revenue together with earnings from hard-to-win-over premium users can keep the business afloat.

Nowadays, attracting advertisers to this type of initiative is very important, especially when advertising is a company's main source of income. Several studies have shown that only 5-15% of users are willing to pay for content on these platforms. The rest never will.

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45 See <http://www.pressgazette.co.uk/guardian-set-launch-paid-membership-scheme-chief-exec-reveals-losses-are-nowsustainable>

46 See <http://pando.com/2014/04/17/were-launching-pando-memberships-in-beta-500-discounted-places-available-now-499-498/>

47 See <http://www.openbookpublishers.com/section/44/1>

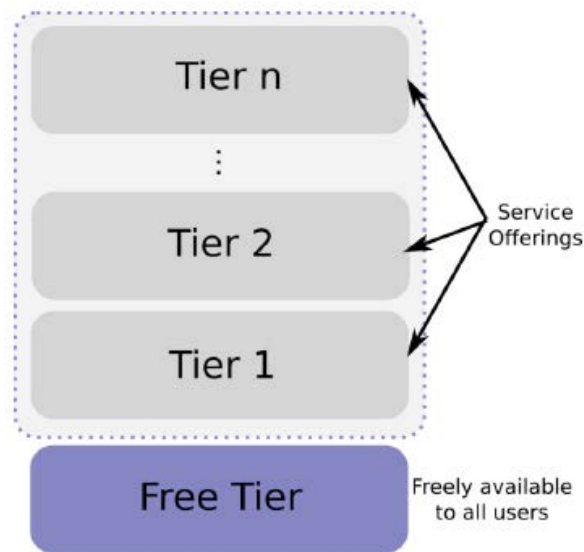


Figure 7. Source: <https://en.wikipedia.org/wiki/Freemium>

Freemium as a business model got its start in software services. One common combination used by companies like Spotify and 24symbols is to include embedded advertising in the freemium model while letting premium users to go ad-free. In the gaming sector, freemium users, in addition to having to put up with advertising, sometimes have their access restricted to a basic version of a game. Micropayments are then used to get players to pay up in order to advance to higher levels or other worlds, a model called pay-in-app.

Several different types of companies have used the freemium/premium model, from Adobe, in its Acrobat PDF reader, to Skype, the Internet telephony network. In the case of Adobe, users can use its free version of Acrobat to read PDF files, but if they want to modify or edit the content on these files, they will need to pay for the upgraded version.

As for Skype, the service is free for users who want to chat with one another, but calls to actual telephone numbers require users to have Skype credit, a prepaid balance from which to discount the price of the call. LinkedIn, the professional network, Dropbox, the cloud hosting service, iCloud, Apple's cloud, Flickr, the picture-sharing network, and Pandora are a few of the better-known platforms that use the freemium/premium model.

In the gaming industry, it is very common to see the freemium/premium model applied to all formats, from consoles to online games to smartphone applications. In addition to World of Warcraft's previously mentioned subscription service, Angry Birds and Star Wars use the same freemium/premium models but for smartphones. PlayStation and Xbox Live have developed a membership-based freemium/premium model in which "silver" members can play games for free while "gold" members, or paying members, are entitled to additional features, special offers, pre-releases, and discounts on future purchases.

When a platform offers content for free, the only way for its freemium/premium model to be profitable is to attract lots of active users every month. Even more important, as was mentioned earlier, is to convert as many of these users into paying premium customers and, if the platform has different levels of premium service, to get subscribers to buy into the highest priced plan.

The freemium/premium model seems to work best in the app-based gaming sector, possibly because of the low cost of the micropayments involved. According to statistics<sup>48</sup>, 88% of the games in Apple's App Store cost less than \$1.99, and 62% of them are totally free. Depending on the genre, between 81% and 88% of the games in

48 <http://www.timesfreepress.com/news/2013/dec/10/wild-wild-web/>



Google play are also free, and the average price of paid apps ranges from \$1.54 to \$2.45, though some of these prices do fluctuate. Some games start out in app stores at premium prices, but after a few days or weeks their prices go down. The tendency, however, is to embrace the freemium/premium model, and allow users to download games for free while restricting their options or progress if they do not pay for upgrades.

The app-based gaming sector also uses what are called “free trials” which allow players to try out a game for a certain amount of time before having to upgrade to the paid version, if, of course, they want full access to the rest of the game. The equivalent of this in the publishing sector would be to let users read the first few chapters of a book for free.

The difference between this model and pure freemium, to call it that, is that free trials allow users to try out all or almost all of a game’s features for a limited time while pure freemium would be letting users play a basic version of a game for as long as they wanted. This is very similar to the free-to-play model in which players are given access to a significant amount of a game’s content without having to pay<sup>49</sup>. Like all decisions of this nature, the choice between one model or another boils down to one’s target audience.

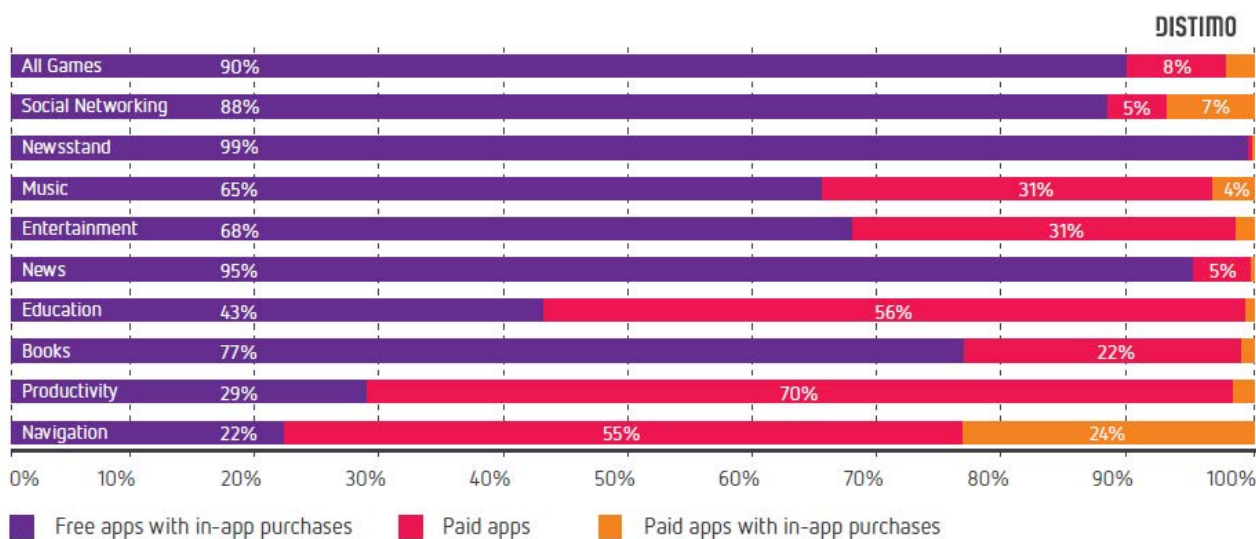


Figure 8. Freemium, the leading business model for mobile apps. Distimo 2013 Year in Review. Source: <http://www.distimo.com/publications>

As can be seen below, players are clearly in favor of freemium/premium services by the way they pay for extras in these games. It is not all about free content, as will be seen in the pay-in-app section.

- Candy Crush Saga (\$892,712/day)
- Clash of Clans (\$706,116/day)
- Game of War – Fire Age (\$456,947/day)
- Pet Rescue Saga (\$216,604/day)
- MARVEL War of Heroes (\$170,939/day)
- The Hobbit: Kingdoms of Middle-Earth (\$143,404/day)

49 See this blog for models and examples of the freemium/pay-in-app/free-trial models used in different games: <http://Freemiumdesign.blogspot.dk/>

- Hay Day (\$120,226/day)
- Slotomania (\$101,409/day)
- Deer Hunter 2014 (\$86,951/day)
- The Simpsons (\$66,912/day)

Though these are very respectable figures, the nature of the people who play these apps and the micropayments they are willing to make cannot be extrapolated to other sectors. The majority of the freemium/premium model's revenue comes from two global heavyweights, China and Japan, who were responsible for a record 94% in January 2014. Not far behind in the United States, the revenue share of free apps with in-app purchases was 79%<sup>50</sup>.

What cannot be denied is that the freemium/premium model was a global trend all throughout 2014 for both Android and Apple's iOS, which can be seen in the following figures:

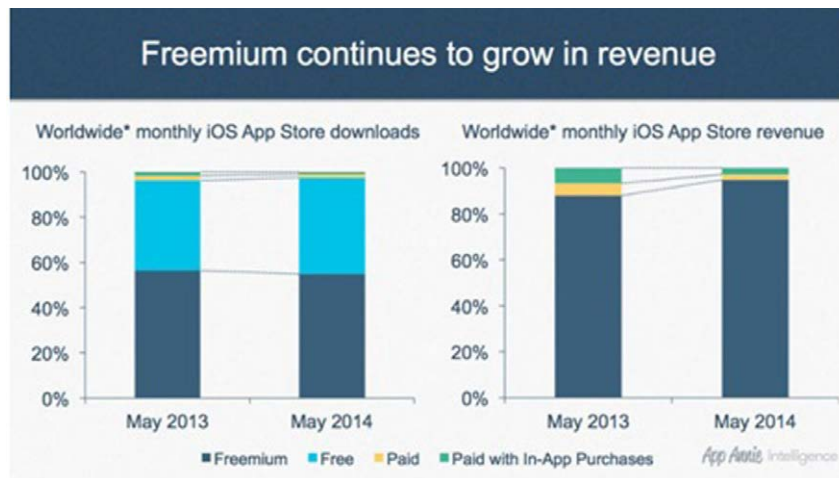


Figure 9. Source: App Annie

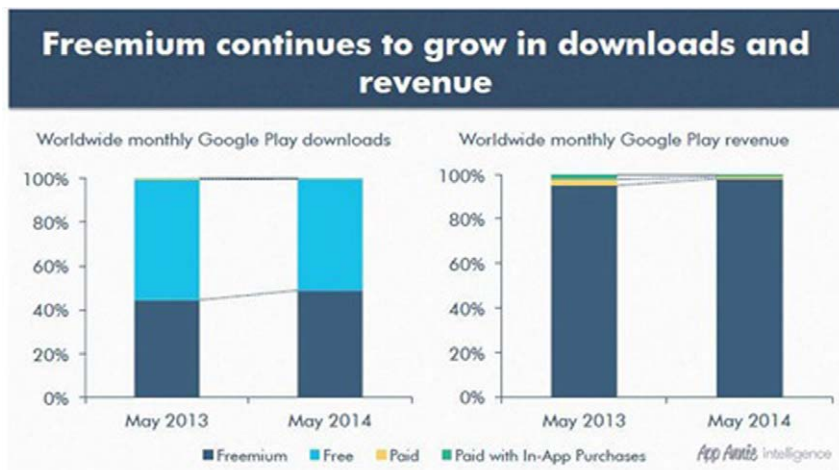


Figure 10. Source: App Annie

<sup>50</sup> How the Most Successful Apps Monetize Globally (Distimo) in <http://www.distimo.com/publications>

Before the height of digital platforms, Hachette Audio launched a pioneering endeavor in the publishing sector, releasing online versions of its books on iTunes for free a day before the print versions came out. The online versions were actually podcasts in which users could listen to the beginning of each chapter. All together, the online content added up to roughly half of the book.

**Flat World Knowledge**, a well-known textbook publisher, was behind another early experiment. The company has been publishing material on the Internet since February 2009 under a Creative Commons license, which means that not only can users access the material for free, but they can also reuse it and modify it as they please. Flat World Knowledge's business model consists of selling the same book in several different downloadable formats, such as PDF, by chapter, and in modules, while at the same time providing additional services.

Some of the advantages Flat World Knowledge offers its authors include reduced publishing times, creative support, and the chance to update their texts<sup>51</sup>. Students can read textbooks online for free and are only charged if they want to print the material (POD – print-on-demand) or if they want to download the eBook version. Though Nubico, Skoobe, and 24symbols are not publishers, their platforms also fit into this model. Certainly, Flat World Knowledge is another good example of how to make money using open access models.

**Rook** is a very recent example of an eBook platform that is still awaiting its formal launch. Rook's freemium/premium proposal is both unusual and original in the way that it markets its content. In fact, its business project was nominated for one of FutureBook's Innovation Awards in 2014.

Through Rook's mobile app system, and thanks to geolocation technology, users have free access to eBook libraries that have been created by certain businesses as long as they are in the vicinity of specific locations that belong to Rook's program like cafés, airports, certain types of transportation, or anywhere else that wants to set up a reading spot, though the service is currently only available in London and New York. When readers leave these locations, free access is no longer available, which means that those who want to continue reading away from one of these hotspots will need to pay for the service.

Rook is, therefore, an example of a new way to boost digital content sales, given that new points of sale can be created in almost any type of business. This is, then, a new model in which businesses, like cafés or taxi cabs, etc., that are interested in offering their customers a particular catalog of books using Rook's technology can do so simply by paying for the content readers access while at their location.

## 1.6. EMBEDDED ADVERTISING

Anyone with a smartphone has access to certain content on one of their apps in exchange for allowing that app to include embedded advertising. Often times, this model is really another version of the freemium/premium model. Embedded advertising consists of offering users free content with advertising that has been embedded into it, as opposed to the premium model in which users can enjoy ad-free content and other add-ons in exchange for payment.

The truth is, however, that nothing is free and, with apps specifically, the price users often pay is an invasion of their privacy, like unnecessary data collecting that they are not always be aware of, in addition to a considerable drain on battery power and increased data exchange that is often times much greater than with paid apps (16% more on average and sometimes up to 33% more, taking up approximately 22% more memory)<sup>52</sup>.

Some television platforms like **Hulu** or **Crackle** allow users to watch TV series or movies for free in exchange for watching commercials. Hulu's premium version, called Hulu+, has extra content that is not available in its free

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51 Flat World Knowledge's 'Freemium' Textbooks Gain 140,000 Users, Average \$34 Per Sale in <http://publishingperspectives.com/2010/08/flat-world-knowledges-Freemium-textbooks-gain-140000-users-average-34-per-sale/>. Freemium vs. micropayments in <http://www.teleread.com/chris-meadows/micropayments-and-Freemium-the-possible-future-of-the-paywall/>  
52 <http://www.forbes.com/sites/alexkonrad/2015/04/01/free-app-ads-kill-phone-battery-and-data/>

version, and premium users do not have to watch commercials. Spotify's freemium model also exposes its users to advertising in exchange for free access.

Within the publishing sector, there are several companies that have adopted a Spotify or 24symbols-inspired embedded advertising/freemium model. Some examples include the much-hyped Librotelia platform in Spain, and Germany's [eBookPlus](#), currently in stand-by mode due to the possibility of shifting to another type of model.

When the embedded advertising model is applied in the publishing sector, it is the marketers and advertisers who assume all of the costs associated with providing access to eBooks in exchange for the right to advertise their products while readers are charged nothing. The ads, some of which may even be of interest to the reader, only appear for a few seconds at the beginning of each chapter. If readers do not wish to have advertising in their eBooks, they can either switch to a discount model and download content from the cloud, or choose a premium model and read their books in HTML5 on their computers or through apps for mobile devices like smartphones and tablets.

One of the services that eBookPlus offers its readers is the possibility of building their own eLibrary in the cloud, and not just with books they have purchased on the platform. Users can then share their library on Facebook or Google+, where they can add notes, comments, etc.

Authors can choose to either get paid directly by the companies that buy advertising space, sell their eBooks at a discount by advertising on someone else's site, or go the traditional route and receive 70% of the profit from the sale of their books. Sometimes, authors get paid every time someone clicks on the advertising embedded in their eBooks. In fact, authors can get paid whether their books are read or not, like when users click on the advertising that appears in thematic searches related to their books. In these cases, authors receive 35% of the advertising revenue. However, the question many ask themselves is, to what extent should authors allow certain types of advertising to be embedded in their works?

Studio W Digital, once a comic book platform called WOWIO, is now dedicated to publishing digital content, including eBooks, on mobile devices. Before its transformation, this platform was the first to embed advertising in the free PDF versions of its comic books that its users could either read online or download. Other comics were for purchase only, with prices determined by the publishers. Every PDF copy it gave out included the name of the person who had acquired the book. WOWIO later did the same with its DRM-free EPUB files.

According to WOWIO's developers, the embedded content was unobtrusive. Like in magazines, the ads were on separate pages. If readers wanted to learn more about one of the ads, all they had to do was click on it to be directed to that company's website. In the future, this type of advertising could be customized to individual readers' interests based on their book-buying history, their reading preferences, etc., which would improve the contextualization of online advertising.

Although embedded advertising is not an overly common model, there must be something to it for tech giants like Yahoo<sup>53</sup> and Microsoft<sup>54</sup> to go to the trouble of patenting their versions, though they can hardly be considered prominent representatives in the online publishing world. The guarantee this model offers is that companies know whether a reader has clicked on their ad or not. When businesses advertise in print media, they need to pay for an entire print run without knowing if all the issues will even be sold.

One last comment about this particular type of freemium model is that it is just getting started. It has yet to be demonstrated, though, that embedded or contextual advertising can support companies that give away free content, so it is still necessary to get premium customers to subscribe.

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53 See <http://appft1.uspto.gov/netacgi/nph-Parser?Sect1=PTO2&Sect2=HITOFF&p=1&u=%2Fnethtml%2FFPTO%2Fsearch-bool.htm-l&r=1&f=G&l=50&co1=AND&d=PG01&s1=20120084136.PGNR.&OS=DN/20120084136RS=DN/20120084136>

54 <http://es.engadget.com/2012/08/07/microsoft-patenta-publicidad-contextual-e-books/>

## 1.7. OPEN ACCESS

Open Access as a model is constantly growing, especially in academic circles, and it is also a source of debate. Week after week, the media makes new references to the Open Access model and to the new platforms that have surfaced, many of which will be discussed in this study.

Open Access (OA) refers to any type of access for which no subscription or payment is necessary<sup>55</sup>. This model is most often used to offer educational, scientific, and academic materials and is directly related to the management of acquisitions and loans in digital libraries, such as the Miguel de Cervantes Digital Library in Spain, Gallica in France, or the Internet Archive, Open Library, or Europeana, among others. In Spain, scientific publications and repositories, like those of the Spanish National Research Council, are OA<sup>56</sup>.

The collaborative platforms that use Wiki technology, like Wikipedia itself, are also based on the Open Access model. Wiki platforms allow users to collaboratively publish content, thus transforming the mechanisms, including the creation, transmission, and access to content, and the logic behind the business of culture. The move is on towards a progressive democratization of all of the stages of the publishing process.

Gold Open Access, a variant of Open Access in which all of a journal's articles are available the moment the journal is released, is considered a source of disruptive innovation in this field. For libraries, this is especially disruptive because they would have to go from paying for subscriptions to assuming the role of publishing university publications, as is already happening in some cases.

According to Abad<sup>57</sup>, there are different types of Open Access models used by scientific publications ranging from completely open to mixed models.

- **Open Access journals that are free for authors and readers.** Newer OA journals often adopt this model. These journals may be funded by members, through donations, or by sponsors, at least initially. Afterwards, they need to make the transition to another model of funding, most often the “author pays” model.
- **Open Access journals whose online versions are free for authors and readers but whose print versions are sold by subscription.** This model is adopted primarily by well-established print journals that can rely on the constant revenue provided by their subscribers.
- **Open Access journals that get paid by authors.** Some OA journals, like BioMed Central and PLOS ONE, require authors to pay to have their articles published. The fees are sometimes paid by the authors themselves and other times by the institutions they represent or by the libraries or organizations that funded their research. Another similar model allows authors to buy a lifetime membership which gives them the right to publish a certain number of articles per year.
- **Journals which grant free access to specific content.** Most scientific journals allow partial free access to their content. According to Abad, the only difference between these journals and OA publications is that the former maintain the copyrights on their authors and articles.
- **Journals that allow free access to content after an embargo period, also known as delayed Open Access.** For example, while paid subscribers are given immediate access to content, the rest of a journal's readers are only allowed access after the embargo period has ended, which often ranges from 6 to 24 months. In certain scientific fields, like medicine, timely access to the latest research results is especially important. The use of this type of model, then, does not normally reduce a publisher's subscription revenue<sup>58</sup>.

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55 For a review and complete history of Open Access, see: Giancarlo, F. Open Access Publishing: A Literature Review. UK: University of Nottingham in <https://cyberlaw.stanford.edu/files/publication/files/CREATE-Working-Paper-2014-01.pdf>

56 See <http://digital.csic.es/> and <http://www.erevistas.csic.es/>

57 *Ibid.* For more details and models, see also Briefing Paper on Open Access Business Models for Research Funders and Universities in <http://www.knowledge-exchange.info/Default.aspx?ID=459> or Open Access Journals: Business Models in <http://bit.ly/1nZTvsH>

58 What Happens When You Make a Book Open Access? New Business Models Are Emerging, but Challenges Still Remain in <http://blogs.lse.ac.uk/impactofsocialsciences/2013/11/08/open-access-monographs-challenges-remain/>

According to a report released by Science-Metrix<sup>59</sup> in April 2014, more than 50% of the scientific articles published between 2007 and 2012 can be downloaded for free on the Internet. The report also states that, although there are exceptions, the citation advantage of Open Access papers is 40.3% while the citation disadvantage is 27% for non-Open Access papers.

The growth of Open Access appears as the result of four main forces:

- Authors' growing interest in Open Access, which translates into new papers being increasingly available for free.
- The growing interest in OA also translates into old papers being made available for free.
- Publishing policies that allow for delaying the deposit of articles with embargo periods produce a concomitant disembargoing of OA articles.
- The fact that the number of published scientific papers is growing, which means that the number of OA papers is also growing.

An major report published back in 2012<sup>60</sup> discussed the impact Open Access content has had on the publishing sector in the area of academic and research publications. In the report, released by The Publishers Association and the Association of Learned, Professional and Society Publishers, those in charge of acquiring publications in libraries were asked whether, after being able to access content for free for six months, they would renew their subscription.

To be able to make distinctions regarding their acquisition policies, the question was asked regarding publications from two different fields. The first field or group contained scientific, technical, and medical journals, and the other group was made up of journals that focused on the humanities, art, and social sciences.

The overall result of this experiment was that 56% of those responsible for scientific, technological, and medical journals in libraries would continue to subscribe while those who oversaw humanities, art, and social science publications would only renew 35% of the time. From these and other results published in the report, it can be deduced that smaller publishers would feel the loss of subscribers earlier and, accordingly, would find it more difficult to continue working in the same way they have up until now.

In many cases, authors take it upon themselves to give the Open Access model a try. One example of a professor-led initiative is that of Charlie Mitchell. Mitchell, a theater professor at the University of Florida, decided to make his textbook on theater studies Open Access, which saved his students \$115 each, or the cost of buying a similar textbook, though they still had to pay to see the performances required as part of the course syllabus.

Mitchell's initiative sparked an interest among other professors, creating the beginning of an alliance which is discussed on the Open Access Textbooks website<sup>61</sup>. Here, readers can consult the various licenses, models, strategies, etc. associated with the Open Access of textbooks.

The John Wiley & Sons publishing company, better known as Wiley, was one of the first reputable publishers in academia to give the Open Access model a try through its Wiley Open Access program<sup>62</sup>. This publisher, currently specializing in the publication of scientific and technical materials, publishes OA research articles and studies on neurology, microbiology, ecology, and evolution. The company also publishes the results of its annual report along with other quality content.

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59 [http://www.science-metrix.com/files/science-metrix/publications/d\\_1.8\\_sm\\_ec\\_dg-rtd\\_proportion\\_oa\\_1996-2013\\_v11p.pdf](http://www.science-metrix.com/files/science-metrix/publications/d_1.8_sm_ec_dg-rtd_proportion_oa_1996-2013_v11p.pdf)

60 The Publishers Association Releases Report Detailing the Potential Effect of Making Journals Free After a Six Month Embargo in <http://bit.ly/1sB24PJ>

61 <http://www.openaccesstextbooks.org/>

62 <http://www.wileyopenaccess.com/view/index.html>

Wiley's newest journals are being developed in collaboration with an international group of professional and academic societies. All of its articles undergo rigorous review by an editorial board. Wiley's publications are published under a Creative Commons license which means they can be used, distributed, and reproduced by any means as long as the original work is duly cited and is not used for commercial purposes.

Wiley also offers a series of new payment models for those academic and research institutions, donors, companies and corporations that want to support the project and its researchers and that are interested in publishing in Open Access journals. According to Steve Miron, senior vice-president at Wiley, this initiative is "a natural extension of our service to our learned society partners, authors, and the scholarly community in its broadest sense." It is also a way of publishing papers quickly and reaching as many readers as possible. Springer, Wolters Kluwer, Flat World Knowledge, and Elsevier<sup>63</sup> have also added Open Access works to their publications.

**OpenEdition Books**, which uses a mix between the Open Access and freemium/premium model, is a digital publishing platform for academic texts on the humanities and social sciences which have been selected by experts in their field. Because OpenEdition Books bases its model on Open Access content, more than 60% of the eBooks and eMagazines it has in PDF, EPUB (without DRM), and HTML are freely accessible. The platform currently has over 2,000 books in its collection, the majority of which are in French, from approximately 50 different publishers.

For libraries, however, OpenEdition Books uses a freemium/premium model. Authors whose books are available through Open Access or as part of the freemium option do not receive economic compensation. Publishers are responsible for deciding which books will be Open Access (though that number cannot be less than 50%) and which they will reserve for the premium option. As publishers add more books, they need to re-examine which of their books are going to fall into the freemium category and which into the premium category in order to maintain at least 50% of their content Open Access. In the premium option, OpenEdition sets the price and receives 66% of the revenue from library subscriptions and 50% from eBook sales. Although it is currently rather small, OpenEdition Books hopes to increase its collection as more and more publishers get behind its mixed model.

## 1.8. P2P-MOOCs

In this section, readers will find several examples of up-and-running platforms, some sponsored by publishers themselves, which show that Open Access content on the Internet can actually be profitable.

The number of Massive Open Online Courses (MOOCs), which share many similarities with Open Access, continues to grow exponentially, having multiplied their presence around the globe. It is important to remember that, whereas Open Access is a model aimed primarily at those in the academic, scientific, and educational fields, the peer-to-peer (P2P) model has its roots in technology.

The origin of this model can be found in P2P networks, systems in which computers are directly linked to each other. When network participants use this type of connection, there is no need for dedicated servers. What was once a quick and efficient way of sharing documents at work, however, has since become a popular method for sharing all sorts of files between individuals from all over the world through P2P programs. Something to keep in mind is that only a small handful of P2P network users are responsible for uploading 67% of the content that is currently available and for 75% of the downloads. The rest are just passive consumers<sup>64</sup>.

The incorporation of new tools, new ways to access cultural content, and the shrinking prices that accompany advancements in the digital economy, not to mention the logical changes in people's habits, are causing P2P networks to fall out of use.

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63 Flipping Journals from Subscription to Open Access in <http://www.elsevier.com/connect/flipping-journals-from-subscription-to-open-access>

64 Is Content Publishing in Bit-Torrent Altruistic or Just Profit-Driven? in <http://www.networks.imdea.org/Portals/8/Downloads/Publications/Is-Content-Publishing-techreport-2010-EN.pdf>

The evolution of this model in the world of educational and scientific publications can be seen in what is known as peer review, which has a lot to do with the submodels mentioned in the section on Open Access. The P2P model can also be found in online education, specifically in MOOCs.

Peer review is the review by one or more people from the field of research that an author wants to publish in. Though the method is becoming more common, it has yet to be standardized<sup>65</sup>.

Peer review helps the publishing process along, especially since most publications take a long time to see the light of day after they have been submitted. Peer review guarantees that articles are read and approved by other experts in the subject matter, thus removing the chances that low-quality papers are published or that the science has gone unchecked, the two most often associated complaints with Open Access content. Sometimes, the members of peer review boards are paid and other times their own articles are in turn reviewed by scientists or specialists in the same field, which is often the case in PLOS ONE.

In the education sector, the models discussed so far and the ones still to be discussed are models that are mixes between Open Access and P2P, like those found in the increasingly popular MOOCs. [University of the People](#) (UoPeople) was one of the first examples of P2P in education. UoPeople was the first institution in the world to offer free online academic content as a way of promoting and democratizing higher education around the world. Registration fees range between 10€ and 100€, depending on students' financial status and their country of origin.

Thanks to this online study program, students from around the world are able to read, share resources, exchange ideas, and debate on the assigned topics. In addition to developing the curriculum, the university's faculty, which is made up of both paid and volunteer professors, also participate in and supervise assessment. This university uses open source software and online teaching methods. The only requirements for students to enroll are to have Internet access, a high-school diploma, and a certain level of English.

Later came [Peer 2 Peer University](#) (P2PU) and the possibly better-known Edutopia. P2PU is an online initiative based primarily on the idea that the traditional models of higher learning and university education are becoming obsolete or, in many cases, less effective than they used to be. What graduates for any type of job or research position need to have today is continuously updated technical skills and the practical skills that will help them at work, like teamwork, leadership, innovation, responsibility, communication, and problem-solving skills. One of P2PU's core values is that students be recognized for their achievements. By offering content over the Internet, which is already a familiar environment for students, costs can be considerably reduced and, at the same time, the objectives discussed above can be efficiently achieved.

[Edutopia](#), an interactive educational platform, was developed by the George Lucas Educational Foundation. Like P2PU, Edutopia is a place where students can get practical advice and study real-world examples to help them better integrate into the business world. The platform includes input from university professors, school boards, parent associations, and companies that want to be part of an educational project that is able to respond to the new needs of society.

This type of educational model is also based on collaboration, getting students and the educational community involved, real-world experience and new teaching methods, as well as on emotional development and how students can incorporate new technologies into their lives. Since its main focus is on innovation and ongoing learning, Edutopia's website provides users with a multitude of resources, conferences, examples, advice, tools, etc., all of which are constantly being updated.

The website's video section has a wide range of documentaries which provide examples of success in innovation and pioneering projects in specific sectors and locations. The point of these videos is to highlight the importance of supporting local development efforts. Edutopia also has the support of diverse groups and communities which help reinforce its educational approaches.

Other examples of the P2P model include [Aristotle Circle](#) and [Khan Academy](#), the latter a virtual, not-for-profit academy that has nearly 400 million lessons and more than 3,000 tutorials on YouTube in 28 languages, with

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65 Meet Science: What Is 'Peer Review'? in <http://boingboing.net/2011/04/22/meet-science-what-is.html>



500,000 registered professors all over the world. These two examples are close to what the idea of MOOCs are. However, while many of these Massive Open Online Courses can be classified as free access, there are variations like the ones mentioned earlier or like some of [Coursera](#)'s courses, which are in fact paid MOOCs, and whose diplomas and certificates are not free.

More than just a trend to watch, MOOCs are rapidly becoming more and more prevalent around the world. Prestigious universities such as Harvard and the Massachusetts Institute of Technology are developing new online teaching methods like those in their [edX](#) platforms. Other similar platforms are [Udacity](#) and [The Open University](#). Even the Museum of Modern Art is jumping on the MOOC bandwagon. Massive Open Online Courses are rapidly multiplying and generating lots of buzz in education circles. These types of courses require technology that is both sophisticated and easy to work with. The fact is that there are already many different platforms employing many different strategies and methodologies that are using these quick-and-easy systems so typical of MOOCs.

According to a survey on online education and MOOCs in the United States<sup>66</sup>, more and more students are enrolling in online courses. It is estimated that more than 6.7 million students, 32% at the university level, have chosen to go this route. The conclusions of this survey consider these numbers still to be low, with lots of room for growth.

The survey also reports that 30.2% of chief academic officers currently believe these courses to be less relevant than face-to-face classroom teaching, though 69% believe that they are critical to their long-term educational strategies. Many institutions have not implemented online courses because of lack of teacher support, doubts about students' commitment, the costs involved, etc.

These types of courses may also include content and materials that are copyright protected, which is where platforms like [conlicencia.com](#), which was discussed in the pay-per-use section, can be useful to manage clearance. For the last several years, Spain has topped the list of European countries in terms of number of MOOCs offered. Of the 1,759 MOOC courses available across Europe, 474 of them are taught in Spain<sup>67</sup>. This is a huge increase over last year's numbers when 203 MOOC courses were offered in Spain out of 597 for the entire European continent.

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66 Changing Course: Ten Years of Tracking Online Education in the United States in <http://www.merlot.org/merlot/viewMaterial.htm?id=723077>

67 [http://www.openeducationeuropa.eu/es/european\\_scoreboard\\_moocs](http://www.openeducationeuropa.eu/es/european_scoreboard_moocs). NOTE: Ample up-to-date information on MOOCs is available, and has grown significantly in recent years. The intention is only to highlight the existence of this educational model, which deserves its own detailed study. For a more comprehensive overview, see Proceedings of the European MOOC Stakeholder Summit 2014 in <http://www.emoocs2014.eu/sites/default/files/Proceedings-Moocs-Summit-2014.pdf>; the eBook by Young, J.R. Beyond the MOOC Hype: A Guide to Higher Education's High-Tech Disruption; and *Los MOOC. Promesas y realidades* (MOOCs. Promises and Reality) in [http://telos.fundaciontelefonica.com/seccion=1288&idioma=es\\_ES&id=2015032317440001&activo=6.do](http://telos.fundaciontelefonica.com/seccion=1288&idioma=es_ES&id=2015032317440001&activo=6.do)

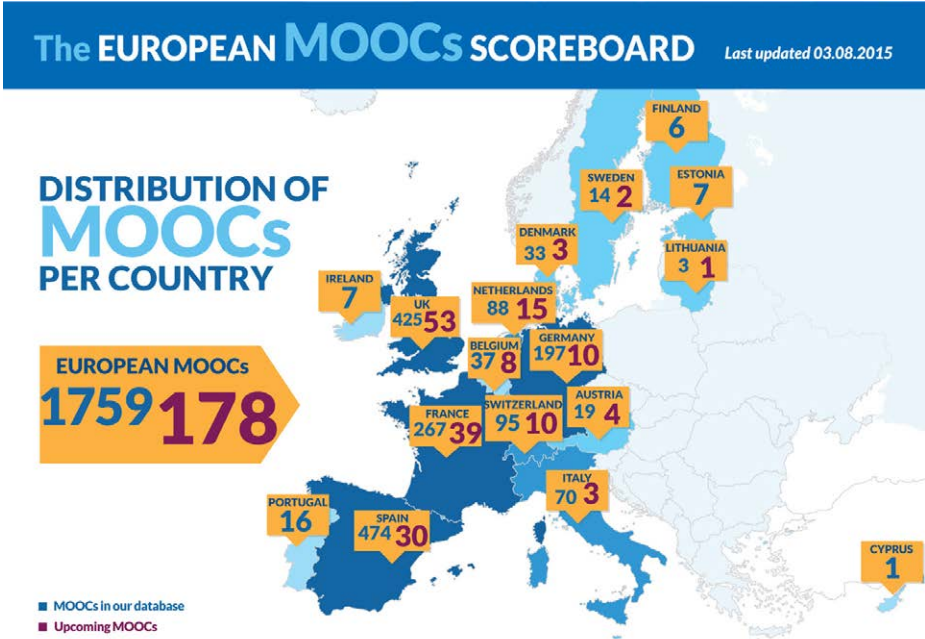


Figure 11. Distribution of MOOCs per country. Source: [http://openeducationeuropa.eu/sites/default/files/images/scoreboard/Scoreboard\\_SEPTEMBER\\_2015.png](http://openeducationeuropa.eu/sites/default/files/images/scoreboard/Scoreboard_SEPTEMBER_2015.png)

MIT and Harvard University<sup>68</sup> carried out one of the largest studies on MOOCs to date which offers a general overview of the current state of these courses. For example, it was found that in some cases up to 39% of the students enrolled in these courses are teachers, which makes the focus of these courses an interesting challenge. The study also noted an increase in the number of female participants.

According to data from a Harvard University study published in 2014, from June 24, 2012, to September 21, 2014, an average of 1,300 new participants per day signed up for a HarvardX or an MITx course. As for diplomas, of the third of participants who answered the survey, 57% stated that they intended to earn one, and a quarter of those surveyed actually did<sup>69</sup>.

Subjects are relevant when discussing the numbers of participants and graduates in these courses. Students seem to be especially attracted to information technology courses, with participation figures almost four times higher than those for humanities or social science courses. However, graduation rates for IT and other technology-based courses (7% and 6%, respectively) were approximately half of those for the humanities and social sciences.

Outside of the education sector, the P2P model resembles the examples mentioned at the beginning of this section. The controversial service apps that put users who are traveling in the same direction in contact with each other, like Uber, Cabify, Zipcar, or the French platform BlaBlaCar<sup>70</sup>, are all based on the P2P, or the sharing economy<sup>71</sup>, model. Sometimes users share costs and other times they negotiate a fair price based on a minimum fee that is almost always cheaper than taking public transportation, which is why taxi drivers consider the service to be unfair competition.

68 [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2586847](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2586847)  
 69 <http://harvardx.harvard.edu/blog/two-years-research-harvardx-and-mitx>  
 70 *Los inversores sí creen en la economía colaborativa: 100 millones de dólares para BlaBlaCar* (Investors Do Believe in the Sharing Economy: \$100 Million for BlaBlaCar) in <http://www.genbeta.com/web/los-inversores-si-creen-en-la-economia-colaborativa-100-millones-de-dolares-para-blablacar>  
 71 For more on the sharing economy, see <https://www.gov.uk/government/publications/unlocking-the-sharing-economy-independent-review/unlocking-the-sharing-economy-independent-review> and <http://www.fastcoexist.com/3046119/defining-the-sharing-economy-what-is-collaborative-consumption-and-what-isnt>

Truth be told, many of the apps that offer services based on the P2P business model need to be regulated so that they do not constitute unfair competition for other models or companies, which is what is happening in some cases. Data on the sharing economy in all sectors show the need to regularize this type of economy given that it does actually have disruptive elements that cannot be ignored<sup>72</sup>.

There are other Internet businesses that follow this new sharing economy model, although it may not be so evident at first glance. Some of these companies include eBay, Match.com, [Airbnb](#), a vacation property platform, and [Zopa](#), [Lending Club](#), and [Fixura](#), which are all loan platforms. eBay, for example, puts buyers and sellers of all sorts of products in contact with each other, and Match.com, the dating website, does the same with people of the opposite sex. In Spain, [Wallapop](#), the mobile app that won ESADE and Banco Sabadell's Best Startup award in 2015, pairs buyers and sellers through the use of geolocation technology, as do [Shufi](#) and [Peerby](#).

These businesses are based on bringing people together on a participative platform to provide each other with services and products. In a word, these platforms are based on the idea of sharing, a concept that is fundamentally connected to the digital world.

According to PwC, sharing economies around the world currently generate 12€ billion. Worldwide, revenue from these sectors could potentially reach \$335 billion by 2025 compared to the current figure of \$15 billion<sup>73</sup>. It is believed that the growth of this type of initiative, and one of its values, is due to consumers' general dissatisfaction with conventional businesses as a result of the latest economic crisis.

In the United States, the sharing economy has increased by 25%, which is more than in Europe although figures there too are definitely on the rise<sup>74</sup>. Some have even seen the growth of this economy as a warning sign for traditional business models and savings schemes which are now faced with consumers who prefer to rent or share products and services<sup>75</sup>.

A new version of the sharing economy is on the horizon called the "paid sharing economy." In other words, an economy in which users can make a little money simply by sharing personal content that may be of interest to others or by discussing their experiences. In this economy, retailers and other businesses invest in brand loyalty and recommendations that pay users for sharing, as a way of influencing large numbers of potential paying customers, like [Rollinglobe](#) and [Tagspire](#) do.

[Rollinglobe](#), a travel website that specializes in adventure holidays, encourages its users to share their experiences and even create their own profiles on the website itself where they can talk about and rate their vacations. By sharing their experiences, these users can help finance their next holiday package.

[Tagspire](#) is a social eCommerce platform that pays its users for sharing content, in this case pictures of their favorite products. When users tag and share the products that they like, that they have bought, or that they want to buy, other users can then click on the pictures and buy that same product online. In this case, the user who tags the picture is compensated in some way, sometimes even receiving a commission. This is especially true for the platform's most influential users.

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72 See <http://www.elmundo.es/economia/2015/07/12/559f8e76e2704ef1148b457b.html>

73 [http://pwc.blogs.com/press\\_room/2014/08/five-key-sharing-economy-sectors-could-generate-9-billion-of-uk-revenues-by-2025.html](http://pwc.blogs.com/press_room/2014/08/five-key-sharing-economy-sectors-could-generate-9-billion-of-uk-revenues-by-2025.html)

74 Accessibility Based Business Models for Peer-to-Peer Markets in [http://ec.europa.eu/enterprise/policies/innovation/policy/business-innovation-observatory/files/case-studies/12-she-accessibility-based-business-models-for-peer-to-peer-markets\\_en.pdf](http://ec.europa.eu/enterprise/policies/innovation/policy/business-innovation-observatory/files/case-studies/12-she-accessibility-based-business-models-for-peer-to-peer-markets_en.pdf)

75 <http://www.businessinsider.com/rise-of-the-renting-and-sharing-economy-2013-8?op=1>

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## 2. New Models. Somewhere between experimentation and rationalization

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## 2.1. PAY WHAT YOU WANT

The pay-what-you-want model continues to generate spirited debate in the cultural sector. For many industry professionals, this model is nothing more than a clever marketing strategy used to launch a certain cultural product, like what author Paulo Coelho did. Others, however, feel that it is truly a new model to keep in mind, one in which consumers become the driving force behind the monetary value of certain goods, something that [OpenBooks.com](#) knows about.

Rooted in the law of supply and demand, the pay-what-you-want model, or PWYW, takes dynamic pricing policies to the extreme. In this model, customers can choose between paying the price suggested by the company or paying the minimum, which is often a symbolic amount. In some extreme cases, customers can even opt to pay nothing at all, though these are often just publicity stunts. An offline example in the United States comes from [Panera Bread](#), a restaurant chain that let its customers pay what they wanted for each item on their menu. It should be noted, however, that this particular chain is a very active participant in hunger awareness campaigns and helps those in need. Panera Bread later decided to set a suggested price of \$5.89.

The PWYW model was first used in the music sector when, back in 2007, the band Radiohead decided to let its fans pay what they wanted for its new album *In Rainbows*, even if they did not want to pay anything at all. In the end, only about 38% of the band's fans decided to pay; the others chose to download the album for free. The average price paid in the United States was \$8.05 per album, or \$3.23 when the free downloads were factored in.

In the publishing sector in 2007, [Paste](#), a mostly music and culture magazine, offered its readers a year's subscription using the pay-what-you-want model in a two-week campaign. Having a deadline was crucial to motivate its fans to take the plunge and accept the magazine's reasonable offer to become new subscribers. Paste's efforts paid off, to the tune of \$275,000 and 30,000 new subscribers, or roughly \$9 per subscription. Many companies decided to advertise in the magazine because of the buzz created by the campaign, which also allowed Paste to raise its advertising rates.

Another unique example of a platform that decided to give the PWYW model a try was [Gumroad](#). Gumroad is an eCommerce platform on which authors can sell their works directly to readers at very low prices. One day, an author who had put his book up for sale for \$3 but was not earning much money decided to sell it for whatever the users of the platform wanted to pay, from \$0 to a little over \$1. In a few weeks, sales increased dramatically and his book was selling for an average of \$5 a copy, increasing his earnings by 60%. The shock effect, coupled with the stir it caused, actually encouraged people pay a fair price, at least in this case<sup>76</sup>.

Much of the success of the abovementioned examples was due in large part to their marketing campaigns which gave the undecided a reason to buy. When the price barrier is removed, customers are compelled to spend what they consider to be a fair price, although for many sellers, this is only a way to attract attention and not a sustainable system in the long run.

Online banking has also used the pay-what-you-want model. Confronted with the economic crisis, some ethical banks have come up with a number of initiatives to offer better and more reliable services than their conventional counterparts, which have now become the targets of angry clients after they learned of their practices.

[GoBank](#) is perhaps the most prominent example of how to attract clients using the pay-what-you-want model. This bank lets its clients set their own monthly account service fee which can be anywhere from \$0 to \$9. GoBank is unique in that it was designed exclusively for mobile users. All of GoBank's features and services can be managed through mobile devices, including person-to-person transfers. Regardless of which bank the recipient of the transfer uses, the service is free.

In their book *Smart Pricing* (2010), Raju and Zhang from Wharton School suggest several key criteria<sup>77</sup> to consider when choosing to implement this apparently risky business model:

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<sup>76</sup> See <http://blog.gumroad.com/post/75707736685/is-pay-what-you-want-pricing-for-you>

<sup>77</sup> <http://colettesymanowitz.com/2013/07/02/pay-what-you-want-does-it-work/>

- Start with a product with a low marginal cost.
- Choose a reasonable target audience. One that is mature. One that has a certain level of income and money to spend, otherwise the minimum price or the free option will be chosen.
- Choose a product that can realistically be sold at a wide range of prices.
- Make sure there is a strong connection between buyer and seller. Consider brand loyalty, affinity, or emotional bonds.

An extreme case of PWYW, or more correctly pay-what-you-CAN, comes from the performing arts. Debbie Wilson, a choreographer by trade, decided to present a working draft of her new show at the Winchester Street Theatre in Toronto<sup>78</sup>. Wilson hired dancers from a nearby dance academy and asked the audience to “pay what they could.” In return, Wilson only asked them to bring their mobile phones with them so that during the show they could share their thoughts on the performance called The Eyes of Helios using the hashtag #helios.

In addition to the added publicity this initiative brought the performance, it also allowed the choreographer to see how the audience’s attention varied throughout the show. The model Wilson used was actually a mix between pay-what-you-want and a reward for audience involvement, which is now beginning to gain popularity on social media sites. Though closer to a marketing ploy than a clear-cut business (and revenue) model, Wilson’s stunt is worth mentioning in this report because it is an example of what is an interesting trend to watch and one which may even make its way into similar initiatives in the future.

Possibly one of the most relevant cases of PWYW in the publishing sector, apart from Gumroad’s much less well-known eCommerce platform, was when Stephen King let his readers pay what they wanted for stories from his serial novel The Plant back in 2000. The author later revealed that the experiment earned him \$463,832. Clearly, though, King is an author who has a great deal of followers with whom he has a certain connection, as has been confirmed by both sides.

In June 2015, best-selling author Paulo Coelho allowed two of his books (one in Portuguese and another in English) to be downloaded on his [blog](#). Readers could pay whatever they wanted if they liked what they read. According to his blog, Coelho wanted to show the publishing industry that PWYW could in fact be a viable model.

Within this same sector, [OnlyIndie](#), a bookstore that specialized in new and independent authors, also wanted to experiment with the pay-what-you-want model. Every eBook it sold started out at 0€ a copy. Only after the first 15 downloads did the platform begin to charge for their eBooks. Little by little, cent by cent, the eBooks reached a fixed sales price that ranged between 2€ and 8€. OnlyIndie has since closed its doors because, even though it had its own niche market and such attractive prices, it was unable to compete with the likes of Amazon.

Much more recently, [leedona](#), a Chilean platform that presents itself as a place where readers and writers from all over the world can share their works, read, and discuss their ideas, was created. leedona’s primary function is to provide online self-publishing services for authors to publish their eBooks without having to pay any upfront costs.

leedona offers its registered authors all of the tools and services necessary to digitally publish their works, whatever the content or genre may be, from novels to theses to essays and tutorials. Authors can upload as many of their works as they want in any kind of format and, once done, they can then convert them into other formats. It is quick and easy and, after authors have provided a few necessary details and decided on a cover image, leedona’s publishers review the book and it is released online, ready to be downloaded. A tried and true system.

However, the novelty of leedona’s system, which no one else has imitated yet though there are similar systems out there, is in its direct donation-based business model. Readers cannot download a second book until they have donated the amount of their choice, from 1€ to whatever they want, to the author. The platform encourages readers to be as generous as they can in order to cover costs and not just donate the 1€ minimum. From

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78 <http://debbiewilson.ca/WordPress/?p=594>

the donations received, leedona keeps 30%, which it uses to defray expenses such as PayPal fees, taxes, and legal costs.

Though perhaps the least known of the bunch, **Istoria Books**, an independent publisher of mystery stories, was actually the first to adopt this model. In fact, they were the ones that registered the slogan “pay what you want.” Their readers can purchase eBooks for less than \$5 a copy. Istoria Books pays its authors a flat rate for their short stories, instead of paying advances, and also takes care of the cover design, the ISBN, and promoting and distributing these authors’ works on platforms like Amazon, Smashwords, etc.

In 2015, **Brooklyn Arts Press**, an independent American publisher, decided to experiment with new alternative business models, namely the PWYW model. It started off with a book of poems written by Noah Eli Gordon. According to the publisher’s website, the experiment was a total success. Often times, and generally speaking, this model is more often associated with some promotion gimmick than a permanent business model, though, like in the case of leedona, there are exceptions.

The way that Brooklyn Arts Press has chosen to implement this model is by only charging its customers for shipping costs (around 5€) in addition to the price that they want to pay for the book. The average price has turned out to be about 10€ per order. Thanks to digital printing, demand can be satisfied regardless of the number of buyers. In this particular case, Brooklyn Arts Press preferred to risk possibly losing money than letting books it considered “very good” go unnoticed by readers. In the end, the gamble seems to have paid off.

**OpenBooks.com**, an independent Polish self-publishing company based in Warsaw, wanted to add a new twist to the PWYW model by allowing its users to read a sizeable section of its books online before deciding how much they wanted to pay for them. In other words, OpenBooks.com defends the concept that prices be set based on their “value.” Authors receive 70% of the final sales price.

According to OpenBooks.com, its pricing policy is determined by how much readers believe a book is worth, how much they enjoyed the free sample, and how much they can afford. This way, Tomasz Staniak, one of the platform’s founders, says that the company earns the trust and loyalty of its readers.

The platform also encourages users to share the books they read. Every eBook incorporates a link which other readers can use to buy their own copy. OpenBooks.com’s intention is to make sharing among friends easier in the digital age once the first copy is purchased. The platform also takes on the job of promoting and creating buzz on its website and its social media profiles for its authors, none of whom are required to sign exclusive rights contracts with OpenBooks.com and may self-publish their books on other platforms if they wish.

For the moment, it seems that the model is paying off. OpenBooks.com expected to reach approximately 100 payments at an average of 1€ per payment and around 5,000 free downloads its first three months. In April 2015, just a few months after its platform opened to the public, OpenBooks.com had actually received more than 300 payments at an average of between 4€ and 5€ per payment and 10,000 downloads.

For many, the PWYW model only focuses on the interests of the final consumer, overlooking the value of the work done by the authors. For others, it is actually a fair system because it is based on the true value that readers give the books they read.

In Spain, the most comparable company to Istoria Books, and the most innovative, is **Lektu**, a recently created eBook platform that has managed to bring together nearly 30 different publishers. The primary feature of Lektu’s novel platform is the open-minded effort that clearly went into developing it, which has translated into a very user-friendly website that provides customers with all of the information they need during the eBook buying process. In addition to its transparency, Lektu is also strongly committed to selling DRM-free eBooks, which, though increasingly common in other markets, is still a fairly new concept in Spain. In Germany, however, the country’s eight biggest publishing houses have recently decided to abandon DRM to make the purchasing and reading processes easier for their readers<sup>79</sup>.

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79 See <http://publishingperspectives.com/2015/07/drm-a-model-of-the-past/>

Lektu, like other platforms, uses dynamic pricing based on the “you set the price” principle. Publishers suggest a minimum price that readers are free to add to as they see fit.

## 2.2. BUNDLING

Generally speaking, bundling refers to packs of products. These products can either be groups of similar goods or a combination of products and services, as long as they have something in common.

The bundling model is ideal for selling several products together which customers believe to be cheaper than if bought separately. Nonetheless, there are times when these bundled products are inseparable, in which case the product is the bundle itself. This model is widely used in the telecommunications and software industries. An example of bundling is Microsoft Office Suite, which is actually several programs (Excel, Word, PowerPoint, etc.) sold as one.

Selling bundled products is a strategy that can generate a lot of profit as well as attract a wider customer base that is ready to spend. Like with the pay-what-you-want model, companies that adopt the bundling model have to clearly understand how much their customers are willing to pay. Selling bundled products can mean selling more units per customer, thus bringing in more profit than if the products had been sold separately.

Bundled promotions are on occasion linked to other business models, like when a customer buys a cable TV subscription and is given a pack of basic channels for free. Sometimes, selling bundled products can reduce a company’s production costs, like for example its marketing costs, because instead of having to design individual campaigns for several products, bundles can be sold under a single message.

Other times, companies have been sued for their use of the bundling model because their products cannot be purchased separately. Microsoft is one such company. It was sued for inextricably including its Explorer web browser with its Windows operating system, which some considered to be an abusive, monopolistic practice.

When it comes to the bundling model in the gaming sector, [Humble Bundle](#) is an example to follow. Humble Bundle sells digital products such as video games, audio files, and even eBooks, but what really grabs people’s attention about Humble Bundle is its sales figures. Humble Bundle has even gone so far as to pair its bundling model with the previously mentioned pay-what-you-want model, though its packs start off at a minimum price of \$1.

Once customers decide on how much they want to pay, they can then choose how this amount is divided. For example, a customer who pays \$5 for a video game bundle for a particular console can give half of that money to the games’ programmers and the other half to the platform. Any and all combinations are valid, even charitable donations. This mix of business models has earned Humble Bundle more than \$50 million. The average price of a pack of 10 games is \$4.93.

Some think that prominent video game developers who participate in campaigns of this nature and in bundled promotions are actually cannibalizing their own content. The truth of the matter is, though, that the lifecycle of video games is so short that developers often do not mind that their games are bundled together with other games. This way, instead of being forgotten, games whose novelty has worn off have the chance to reach larger markets and attract new buyers as part of a bundled pack.

A few companies in the publishing sector have implemented the bundling model as the basis of their business strategy. While the most common type of bundling in this sector consists of selling the eBook version together with the print version or vice versa, [StoryBundle](#) has taken this practice and combined it with the pay-what-you-want model. In short, this publisher allows its readers to pay what they want for a bundled set of eBooks.

This particular pioneering initiative is the brainchild of Gizmodo and Lifehacker’s tech blogger, Jason Chen. On his website, Chen likens his platform’s strategy to the way video game bundles are sold for what consumers want to pay for them, like the case of Humble Bundle. Generally, StoryBundle puts together packs of around five books, all of which are DRM-free.



According to Chen, the average price of these bundles is approximately \$5 each, similar to what self-publishing platforms like Amazon are charging. For Chen, the key to success has been making it easy for potential buyers to purchase and access content. Like on Humble Bundle, buyers on StoryBundle also decide what percentage of the purchase price goes to authors (even 100% if they want). The revenue is divided among all of the authors in that pack and the platform keeps the rest. StoryBundle's catalog contains mostly works by independent, genre, and science-fiction authors. The platform does not require its authors to sign exclusive distribution rights agreements.

Recently, in September 2015, [BitLit](#) and Lightning Source partnered with Ingram to allow publishers to market bundled eBooks through Ingram's CoreSource Plus program.

BitLit, through the technology of the mobile app Shelfie, encourages users take pictures of the book spines in their personal collections and then send them to BitLit. BitLit's system then recognizes the books and determines which are available as eBooks and their eBook price. Publishers too can obtain data on their conventional readers with the hope of one day possibly turning them into eReaders.

BitLit has already signed agreements with more than 200 publishers and has over 140,000 titles in its catalog, including books from large distributors and publishers like Elsevier, HarperCollins, Macmillan, and Wiley, among others, and all of them participate in the bundled system.

The bundling model presents a good opportunity for both the sector and for publishers looking to sell books in packs, especially those who have a particular book series or a specific collection that they can offer their loyal readers grouped by protagonist, genre (like noir fiction or romance), or by author. It could even be a good idea to bring back book series that are hard to find or out of print. Bundling is, as can be seen, a model worth exploiting.

## 2.3. CROWDFUNDING

Crowdfunding is another of those models that continues to generate media buzz and produce new more-or-less successful cases in every sector. This last year was, as many had predicted, the year of crowdfunding, both in terms of total number of projects and because of all of the attention that this model was given.

Though it is a new business model, crowdfunding, together with crowdsourcing, has become very popular very quickly. Most popular and most often found in online settings, crowdfunding is based on the concept of micro-sponsorship, or the mass funding of a project, service, content, platform, production, book, etc. In short, anything that is susceptible to being funded by several sponsors who voluntarily decide to participate in the creation or implementation of an idea can become a crowdfunding project.

For many, this type of collective collaboration is not entirely new. Early cases of crowdfunding-like initiatives have been identified but which were probably only natural ways of raising funds for a certain project and not really business models. For example, Wikipedia cites the cases of two bands, Extremoduro and Marillion, which turned to their fans to raise money to record an album back in 1989 and 1997, respectively<sup>80</sup>.

With just a little looking, similar examples of fundraising projects are easy to find right around the corner from our own homes that have relied on the goodwill of others, but what makes crowdfunding an established business model is its connection to the Internet and its global aspirations. In other words, thanks to the Internet, social communication tools, and to platforms specifically created to explain projects and request funding, anyone's idea can raise money anywhere in the world. [Kickstarter](#), a well-known crowdfunding platform, has many followers, as do [Indiegogo](#) and [Ulule](#), and [verkami](#) and [Lánzanos](#), two of the most popular platforms of this type in Spain.

Once a project has begun, sponsors can invest without receiving compensation. However, if, for example, a project is not able to raise the required amount before a fixed date, the money that these sponsors have advanced

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80 See <https://es.wikipedia.org/wiki/Micromecenazgo>

is returned to them. More and more ways are being thought up to attract funding, such as payment in products, perks, special offers, shares, etc. depending on the type of initiative that is looking for seed money. There are now even specialized sector-specific crowdfunding platforms for fashion ([FanStylers](#)), photography ([Fotofund](#)), the audiovisual industry ([TheCrowdTelevision](#)), ethical causes ([migranodearena.org](#)), etc.



Figure 12. The most common project types in crowdfunding proposals. Source: <http://livingenterprise.net/crowdfunding-platforms-foresight-for-business-model-innovation/>

For example, in the performing arts sector, the Aragonese Opera Association started a campaign to raise money to go see *Der Kaiser von Atlantis*, a relatively obscure opera by Viktor Ullmann. The association presented their crowdfunding proposal to the users of verkami and were able to raise the necessary funds. In fact, they raised a total of 5,420€, 420€ more than they had asked for.

Art institutions are not above carrying out similar campaigns. The Louvre Museum itself used this model to raise money to restore some of its best-known pieces, including *The Winged Victory of Samothrace*. Under the slogan “*Tous mécènes*” (which the museum translated as “Support the Louvre”), the initiative became famous around the world. Those who collaborated or sponsored the restoration projects were given museum perks, including private visits – an art lover’s dream.

One of the sectors in which the crowdfunding model is most widely accepted is the cinema. In Spain, one of the films with the biggest impact in terms of crowdfunding was *The Cosmonaut*. The project, which began as a short in 2008, soon became the basis for a feature-length film in 2009. A short time later, the decision was made to launch a crowdfunding campaign. When one of the film’s biggest producers pulled out of the project, the campaign redoubled its efforts and gave its fundraising cause a new motto, “Save the Cosmonaut.” The producers had originally calculated that in order to see the project through, they would need to raise 40,000€. However, by the end of the campaign, they ended up raising 130,000€, more than three times as much, and the film was released in 2013.

In the music sector, there have been several interesting initiatives that have gone beyond being individual campaigns and have served as platforms to bring together a number of projects to help them take off. One such example is [Banded](#), an on-demand concert platform based on the crowdfunding model. For its creativity, Banded won an award at the fifth annual *Emprende con Cultura* (Innovate with Culture) awards ceremony.

Banded's model focuses on the creation of a virtual space where musicians, fans, and concert hall owners can get together and work towards achieving their common goal, which is none other than successfully organizing a concert. What drives this new way of promoting live music are a sense of community, teamwork, and new technologies.

In the audiovisual sector, there is a company that is very similar to Banded and its on-demand crowdsourcing model. [Screenly](#), a platform conceived in Spain, has fresh new ideas for the sector. This platform, which offers on-demand film screenings, includes options for users and event coordinators alike.

Screenly has many films in its catalog but, for these films to be screened, a minimum number of viewers needs to be found first. To accomplish this, social media sites can be used to promote and host events, and as for the price, the larger the audience, the cheaper the tickets. The films Screenly has in its catalog are quite diverse, ranging from classics to films by new directors to unscreened and undistributed films. What is most important, however, is for the film to be screened, and if this is accomplished then the investments made by the event coordinator, the distributors, and the cinemas where the film is shown will have been worth the effort.

One of the aims of Screenly's initiative is to promote the discovery of new cinematographic values. Another is to unite distributors and promoters in order to take motion pictures to areas where films rarely go to or to towns which no longer have cinemas but where a makeshift venue can be set up, like in local assembly halls. The idea is also to give the screenings added value by organizing debates, round-table discussions, and talks after the film, which the platform helps support and guide.

[USEED](#) is an excellent example of how crowdfunding is being used in the education sector. This particular platform uses the crowdfunding model to finance improvements in education at colleges and universities and to provide funding for senior and alumni projects as well. Unlike Upstart, the personal loan site, USEED does not provide financial backing for enterprising students in exchange for a partial return on their investment when the student starts making money. USEED, rather, is a project that has brought together three universities (University of Virginia, Cornell University, and Arizona State University) in a pilot program in which current students, alumni, and professors can all connect on a single platform to raise money for their projects or startups.

Students can present their peer-backed projects through one of the affiliated universities. If the project is approved, donations can be made to the respective university. The USEED platform provides students with the information they need about how to raise money for their projects once they graduate.

There are other examples of the crowdfunding model in various fields of the technology sector, like [appsplit](#), a platform dedicated to the development of mobile and desktop applications. Here, programmers who have ideas but are short on cash only need to present their project, explain what their app is about, what they intend it to do, and talk about how it works. After that, they simply have to let the platform know how much money they need in order to get their project off the ground.

appsplit also gives programmers the chance to design marketing campaigns even before they have completed development of the app, which can help them raise additional funding through the use of rewards, just one of the types of financing that the platform offers. Other ideas include having some of the platform's members participate in developing the app, depending on their IT skills, in exchange for funding, or getting others to waive part of their copyright claim.

International recognition is one of appsplit's top goals since ideas for new apps can come from anywhere in the world. Its website is very user-friendly and helps guide potential sponsors towards the right project for them. Projects can be searched for according to their status, either "in progress" or "at the idea stage," campaign, category, and type of platform the app is being designed for.

Examples of crowdfunding projects are so numerous that it would be impossible to list them all here. This business model, more than just the object of research reports, is being watched enthusiastically around the globe. Like other models that were discussed earlier, the surge in popularity of the crowdfunding model is due in large part to the economic crisis that began in 2008. Since then, crowdfunding projects and platforms that offer alternative forms of financing are becoming more and more commonplace in response to the lack of available funds.

According to Crowdfunding's Potential for the Developing World<sup>81</sup>, a report released in 2013, there were 344 crowdfunding investment platforms in the United States at the time, followed by the United Kingdom which had 87, and France, coming in third, with 53. Trust and transparency are key to growing these crowdfunding platforms and to getting people to participate. Of the 43,193 projects funded through Kickstarter, there have only been four documented cases of fraud. The same report also indicated that crowdfunding initiatives are still in their infancy, especially in developing countries, and that there is a tremendous potential for growth.

A 2013 report by the *Asociación Española de Crowdfunding* (Spanish Crowdfunding Association) revealed that among all types of crowdfunding campaigns, investment crowdfunding campaigns were the ones that raised the most money, followed by loan campaigns. On average, Spanish investors invested 4,853€ per project and lenders loaned an average of 2,025€. The average amount per person in donation and reward campaigns was less than 40€, however. On average, successful reward and donation projects asked for close to 3,300€ and those that failed solicited more than 5,500€. The figures were higher for loans and investment projects. In this case, projects looking for approximately 30,200€ tended to reach their goals while those that requested over 200,000€ did not.

How long crowdfunding campaigns remained open also varied depending on the type of project. On average, donation campaigns took 82 days to reach their funding goals, followed by 53 days for investment projects, 41 days for reward projects, and one month for loan campaigns.

According to a survey of crowdfunding experts, 24% believe that having quality audiovisual support and an active and regular presence on social media sites are the keys to success. Eighteen percent, on the other hand, felt that it is necessary to have planned the campaign beforehand and to keep up with it religiously while it is running. However, transparency, discipline, perseverance, effort, proactivity, dedication, and motivation are all fundamental for another 18% of these experts.

The main conclusions are, then, that there is a need for more entrepreneurs in Spain and for more people to invest in their projects. It should be noted, however, that due to the existence of multiple newly founded platforms and projects, some sectors are actually saturated.

The crowdfunding model, like other similar models, continues to grow. According to recent data from the first pan-European benchmarking study carried out by the Cambridge Centre for Alternative Finance based at the University of Cambridge Judge Business School, the online alternative finance market grew by 144% in 2014 to nearly 3€ billion, and it could surpass the 7€ billion mark in 2015<sup>82</sup>.

According to this study, in 2014, Spanish crowdfunding projects raised 62€ million, 114% more than in 2013 when 29€ million was raised, compared to only 10€ million in 2012. A more-than-respectable growth rate for sure. Like in other years, reward-based models came in ahead of P2P business lending. In fact, this model increased its numbers by 111% over 2013 figures, going from 19.5€ million in 2013 to 35.1€ million in 2014. In 2012, the model only raised 8.1€ million.

In 2015, the *Asociación Española de Crowdfunding* (Spanish Crowdfunding Association) published the results of its study<sup>83</sup> of more than 30 crowdfunding platforms in Spain. The study identified four different types of crowdfunding projects in these platforms:

- Rewards: 41.4%
- Donations: 24.1%
- Investment: 20.7%
- Loans: 13.8%

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81 See [http://www.infodev.org/infodev-files/wb\\_crowdfundingreport-v12.pdf](http://www.infodev.org/infodev-files/wb_crowdfundingreport-v12.pdf)

82 [http://www.jbs.cam.ac.uk/fileadmin/user\\_upload/research/centres/alternative-finance/downloads/2015-uk-alternative-finance-benchmarking-report.pdf](http://www.jbs.cam.ac.uk/fileadmin/user_upload/research/centres/alternative-finance/downloads/2015-uk-alternative-finance-benchmarking-report.pdf)

83 <http://web.spaincrowdfunding.org/wp-content/uploads/2014/06/INFORME-DE-LA-ENCUESTA-DE-LA-ASOCIACION-C3%93N-ES-PA-C3%93OLA-DE-CROWDFUNDING.pdf>

The reward-based and donation-based platforms, as can be seen, topped the list. As for funding, the average campaign contribution according to type of crowdfunding project was:

- Investment: 4,853.33€
- Loans: 2,015.50€
- Rewards: 35.82€
- Donations: 34.19€

Contributions to reward-based and loan-based projects, averaging between 20€ and 40€, depended heavily on the type of project and on what type of reward was offered. The average amount requested per project was:

- Investment: 134,856€
- Loans: 30,933€
- Donations: 11,128€
- Rewards: 2,804€

In the end, the overall average was the same as it was three years ago, or roughly 3,000€.

Visitors to “The Lab,” an interactive website run by Spain’s national radio and television network, have access to an easy-to-visualize and easy-to-understand animated data map that gives them information on various cultural activities, showing their connection to crowdfunding.

This data map, which uses information collected from verkami’s platform, highlights several initiatives and businesses that have used the crowdfunding model, giving viewers an idea of what is happening both in Spain and around the world. With this data visualization tool, visitors can rearrange crowdfunding initiatives by sector, by which type of projects work better than others, which failed, and how much each of them was able to raise. Users can also group the statistics by country or by region.

According to this data map (consulted in November 2012), publishing projects were the most successful (81.1%), followed by music-industry projects (79.1%), even though the music industry is actually the sector that most often turns to crowdfunding in search of financing.

Other data from “The Lab” indicates that low-budget projects had the highest failure rates. The total number of projects that requested over 50,500€ and failed was 0, between 30,000€ and 50,500€ (3), between 15,000€ and 30,000€ (9), between 10,000€ and 15,000€ (17), between 5,000€ and 10,000€ (96), between 2,500€ and 5,000€ (220), and less than 2,500€ (417).

The project that raised the most capital in the publishing sector was a comic book called Brigada, which brought in more than 50,000€. Catalonia was home to 52% of all of the projects in Spain, making it the largest crowdfunding region in that country. The success rate of Spanish projects was 73%, slightly less than the European average of 80%.

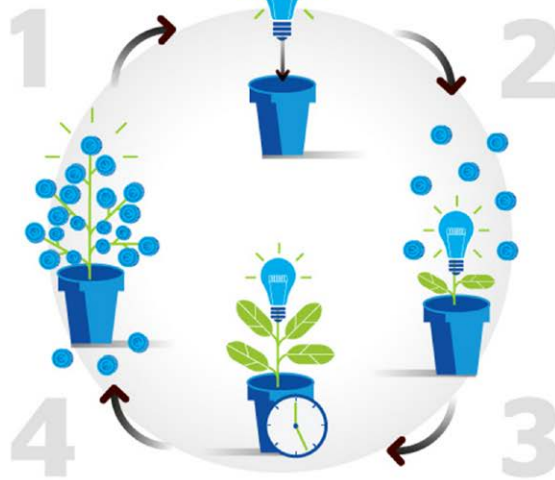
# Crowdfunding platforms

A number of investors invest or make monetary contributions to a project through a technological platform that brings them together. This **model of collaborative funding** is gaining more followers every day.

## The crowdfunding process

The entrepreneur **adds the idea** in a crowdfunding platform and sets a fundraising target.

The investor registers as a lender on a platform and **chooses the project** to invest in exchange for a reward.



When the entrepreneur gets all the expected funds, the project **goes ahead**.

The investor **receives his compensation**, which he can invest again (or not) in other ideas.

## Crowdfunding platforms you should know



## A snapshot on crowdfunding

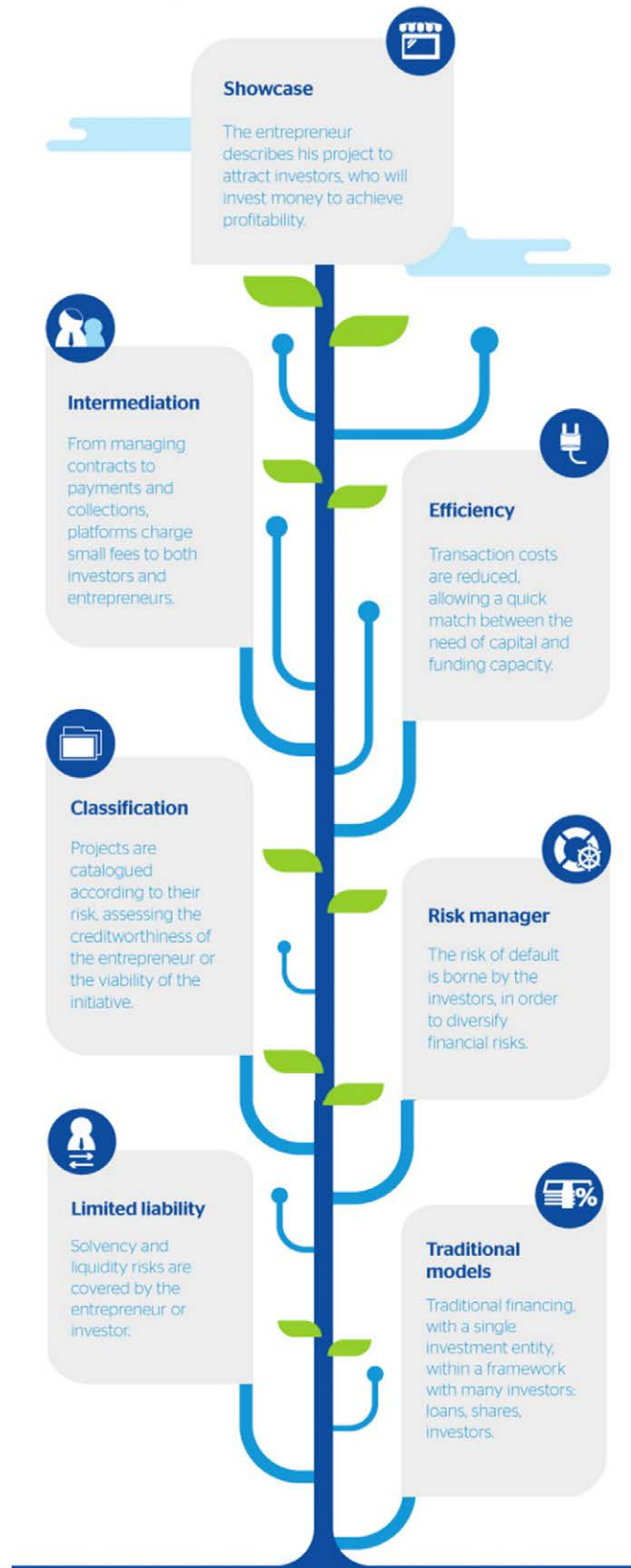


Figure 13. Source: *Centro de Innovación BBVA* (BBVA Innovation Center). From the report [https://www.bbvaesearch.com/wp-content/uploads/2015/02/Crowdfunding\\_Watch.pdf](https://www.bbvaesearch.com/wp-content/uploads/2015/02/Crowdfunding_Watch.pdf). In <http://www.centrodeinnovacionbbva.com/sites/default/files/bbva-innovation-center-plataformas-de-crowdfunding.jpg>

The crowdfunding model's arrival in the publishing sector was both swift and anticipated. One of the most successful crowdfunding initiatives in the world was started by Rich Burlew, an author/illustrator of webcomics. Burlew managed to raise more than 1€ million on Kickstarter from his fans as they helped him break into the print media world<sup>84</sup>.

Burlew, some of whose stories are available online for free, wanted to self-publish a few of his webcomics in print back in 2005 but found it to be too costly. Burlew's fans, eager to read his stories on paper, encouraged him to start a crowdfunding campaign which, in the end, he did, managing to assemble a total of 14,952 sponsors. To get their donations, the author/illustrator offered his fans a variety of options like a refrigerator magnet and a PDF copy of one of his stories for 10€, four magnets for 100€, autographed books for 200€, an original drawing for 600€, etc.

Later came the likes of Nina LaCour, a children's book writer who wanted to adapt her first novel, *Hold Still*, into a full-length feature film, and Garrido Barroso, the Spanish author/illustrator who was able to get the 750€ he needed for his comic book *Solo* through the *Lánzanos* platform.

Crowdfunding is even starting to appeal to companies that want their customers to get involved in their projects in one way or another. *The White Review*, *BOMB*, *McSweeney's*, *Guernica*, etc. are examples of arts and culture magazines that have all decided to turn to their loyal fans to finance their publications. Beyond the financial support, these projects also help companies see that their crowdfunding efforts have added value because they boost active consumption of their content and get readers to take part in the decision-making process.

Certain crowdfunding models fall into one of two types of categories. On the one hand, there are those projects that appeal to sponsors looking for a conventional return on their investment. While on the other, there are those that offer a more sentimental and emotional payback for the funding they receive. *McSweeney's* proposal falls into this second category. In exchange for donations, the magazine gave its readers the opportunity to exchange e-mails with one of its star writers while others could even have something to eat with another.

On [Unglue.it](#), considered by some to possibly be the first crowdfunding-based publishing platform, readers can donate money or sponsor certain eBooks in order to convince copyright holders to let their books be published under a Creative Commons license. Once the preset amount has been raised, the books are then made available for everyone to use for free. Some libraries have shown an interest in Unglue.it's model, and the platform's founder, Eric Hellman, who once helped build linking technology for libraries, hopes they will help promote his initiative<sup>85</sup>.

[Unbound](#) is the British version of Unglue.it. Its business model is simple: An author provides an idea or a storyline and if enough readers support it, the book is given the green light. The editorial staff then needs to approve the proposal and allocate a budget, which includes editing, writing, production, marketing, and distribution, at an average cost of around 20,000€ per book, before the actual publishing process can begin. Once a book is printed, the net profit from sales is divided 50/50 between the author and the platform. One of Unbound's main aims is to create close bonds between its authors and its readers.

Some of Unbound's books are written by renowned authors and others come from literary agencies. The involvement of the participants in crowdfunding projects differs according to the amount they donate, with some enjoying benefits such as meeting the author or receiving invitations to exclusive soirées. At the end of 2014, Unbound had 50,000 users and had raised more than 500,000€.

[Inkshares](#), a platform created in 2013, defines its crowdfunding model as "all or nothing." Inkshares will not begin the publishing process until readers give their approval and the funds are available to cover the cost of publishing the first 1,000 copies. If the required amount is not reached, anyone who invested in the project gets their money back. The novelty is that many of Inkshares' campaigns enlist the help of bookstores to sponsor books, which is a smart idea considering how much bookstores know about what readers want and what kinds of books sell.

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84 [http://www.theguardian.com/books/2012/feb/22/author-raises-1m-self-publish-webcomic?CMP=twf\\_fd](http://www.theguardian.com/books/2012/feb/22/author-raises-1m-self-publish-webcomic?CMP=twf_fd)

85 <http://www.fastcoexist.com/1679462/unglueit-crowd-funding-a-revolution-in-libraries>



In the end, the platform sets the price of the book and, once sold, the author receives 70% of the net profit whether the book is sold in print or eBook form. What makes Inkshares strong is its team, many of who come from the publishing sector, which means that they know the medium well. The services that Inkshares offers its authors are similar to those offered by other self-publishing platforms.

On **Readership**, writers upload excerpts of their work to the platform and readers then vote “yes” or “no” on the book. Readers who vote “yes” add a donation to their vote. That way, every book that reaches its target is published. According to Kathryn Cave<sup>86</sup>, from her own experience as an author, some of the advantages that crowdfunding and self-publishing services have are that they are easy to use, they encourage debate on books, and they help create promotional material.

Cave also points out certain disadvantages. First on her list is how hard it is for crowdfunding-based initiatives like Readership to break out of the herd and be able to produce a sufficient volume of content while at the same time building up a significant number of readers. Secondly, she mentions that because Readership does not offer its writers editing and marketing services, this could potentially lead to low-quality books being published or to good works never reaching their target audience.

**Publishizer** is a more recent platform that functions more like a preorder site. Its focus is on publishers, meaning that the platform is intended to be a place where publishers can discover new talent and obtain financial support for their products. In other words, Publishizer puts new authors in contact with publishers, a little like what a publishing agency does. All authors need to do is upload the title and a description of their book, a 1,000-word plot summary, and their biography.

In Spain, **Libros.com**, another platform based on the crowdfunding business model, became news when it launched a campaign to finance a book by Lorenzo Silva which would only be published “if a predetermined amount is raised within 30 days.” The campaign was ultimately successful, raising much more than the 3,000€ that was needed to publish the book in both print and digital versions.

One Spanish company that has recently arrived on the American scene<sup>87</sup> is **Pentian**. On this platform, authors and their sponsors split the profits. Pentian, however, has added a twist to the standard publishing model by adding crowdfunding and micropatronage to the mix. In this new model, authors receive the financial support of sponsors who make it possible for their books to be published, but who also become partners with a stake in the future sales of these books. What Pentian has done, then, is create a collective entrepreneurial system that helps guarantee the success of these publishing projects so that “all of the bestsellers of the future are given a chance.”

Pentian handles the entire publishing process, from the moment it receives the author’s original manuscript all the way through printing and distribution, without forgetting the book’s cover design and layout. Pentian also takes care of adapting the work to eBook, print, and print-on-demand formats. All of this lets the author focus on creating the content and on securing marketing support for future sales.

The profit from the sale of the book is divided proportionately between the author or authors and their sponsors. Authors do not have to put any money down; all of the costs associated with publishing the book are covered by sponsors. Pentian’s role is to evaluate every publishing project on a case-by-case basis and work with authors to establish the conditions concerning the publishing of their book, the number of sponsors that are allowed to participate, and how the royalties and any future profits will be divided among the parties. Once the crowdfunding campaign has the necessary number of sponsors, the editing, publishing, and distributing processes can begin.

**Pubslush**, which loosely bases its model on Unglue.it’s platform, came up with the idea of integrating the crowdfunding model in ethical campaigns. On the crowdfunding side of Pubslush’s initiative, books are published once they earn the support of 1,000 sponsors. And on the ethical part of the equation, Pubslush pledges that for every book the platform sells, it will donate another to places where children do not have access to books, as a way of encouraging reading in underprivileged areas all over the world.

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86 <http://www.idgconnect.com/abstract/9806/crowdfunding-books-review-ebook-publishing-model>

87 <http://www.digitalbookworld.com/2014/crowdfunding-for-books-pentians-self-publishing-model-expands-to-us/>

If authors want to donate part of their earnings to this initiative too, Pubslush is happy to oblige. Authors looking for funding for their books need to submit a summary of their manuscript and at least 10 finished pages of the book. Once funding has been secured, Pubslush gets a 4% cut of the future sales. In return, the platform provides authors with all of the services typically offered by publishers, such as editing, distribution, sales, and promotion.

Platforms like Pubslush's also serve to try and jumpstart difficult-to-finance projects or ones which traditional publishers are reluctant to invest in. This is what Restless Books did back in June 2015. They wanted to "re-envision the way we read classic world literature." For the anniversary of Don Quixote, Restless Books released a luxury pocket edition of the book with woodcut illustrations.

Restless Books added value to their proposal by linking this book to a video teaching series curated by its publisher, Ilan Stavans, a professor at Amherst College and Don Quixote expert. The videos are like those in an online course where questions are streamed and participants can debate on different aspects of the novel in real time. The idea behind this format is to make classic books much more accessible to non-students, though from a slightly different angle.

To try and raise money for this project, Restless Books launched a crowdfunding campaign on Kickstarter to publish their particular edition of Don Quixote with its new narrative focus and creative approach. And it seems that, in the end, they were able to do so<sup>88</sup>.

To conclude this section, it must be said that crowdfunding platforms are not merely places to obtain financial support; sometimes they can even become points of sale. An example of this is The Leader's Guide, written by author Eric Ries, which was only available for sale on Kickstarter, in both its print and eBook versions, and was not distributed to bookstores. In the digital world, it seems that any platform has the potential to become a new sales channel.

## 2.4. GAMIFICATION

Gamification has been around for a number of years, but in the last two years, it has become a widely used model, even diversifying into different sectors.

Generally speaking, gamification refers to adding game-like features to contexts that have nothing to do with the gaming industry. The idea is to stimulate and motivate users' actions, ideas, interests, and interactions. In other words, to condition behavior entertainingly in any type of setting, whether cultural (museums, theaters, books), corporate, leisure, commercial, etc.

Gamification's motivational aspect has led many to classify it as a novel business model, though it may actually have less to do with business and more with marketing, engagement, loyalty, employee morale, and creating communities.

According to Gartner<sup>89</sup>, by 2015, more than 50% of organizations that manage innovation processes are expected to gamify these processes. In 2016, projections show that American companies are set to invest \$2.8 billion in this type of strategy<sup>90</sup>. Deloitte, in a 2012 report, predicted that gamification would be in 25% of redesigned business processes by 2015, and that it would continue to grow to become a \$2.8 billion business by 2016<sup>91</sup>. However, despite the numerous success stories that point to the rise of these gamified processes, experimental evidence from all sectors has yet to appear supporting the hype surrounding gamification<sup>92</sup>.

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88 <https://www.kickstarter.com/projects/nathanrostron/restless-classics-400th-anniversary-edition-of-don>

89 <https://www.gartner.com/newsroom/id/1629214>

90 <http://www.nubit.es/la-gamificacion-conquista-las-empresas-espanolas/#>

91 [http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/Deloitte%20Review/Deloitte%20Review%2011%20-%20Winter%202012/us\\_DR11\\_The\\_Engagement\\_Economy\\_Jul12.pdf](http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/Deloitte%20Review/Deloitte%20Review%2011%20-%20Winter%202012/us_DR11_The_Engagement_Economy_Jul12.pdf)

92 See <http://gecon.es/2015/01/27/gamificacion-evidencias-de-su-efectividad-despues-del-hype/>



Figure 14. 3DWire 2014 Gamification General Report. Source: <http://gecon.es//3dwire-2014-resultados-de-la-gamificacion/>

In one of the Pew Research Center's classic reports on Internet trends, analysts' opinions on how embedded gamification would be by 2020 were split practically down the middle<sup>93</sup>. Forty-two percent of those surveyed believe that gamification will only be temporary fad while 53% feel that this trend will have a significantly greater presence in the future.

Generally speaking, gamification is linked to the reward-based model. However, it goes a step beyond other models that simply reward users for reviews or for voting. By using the gaming experience as a learning lesson, by defying users to overcome a challenge, or by pushing them to make decisions in the game itself, businesses can attract a certain type of audience that before that point had no contact with their products.

Each company has its own unique focus when it implements gamification. Companies that sell packaged consumer goods, for example, most often focus their gamification efforts on the Internet and on social media sites in order to create brand loyalty and to reach out to certain demographics. Software companies, however, use gamification to convert "trial period" users into paying customers. These companies also use gamification as a way of collecting information on users (Big Data). In the end, gamification allows companies to get to know who their users and potential customers really are<sup>94</sup>.

Big and small companies alike are implementing gamification as a business channel for long-term investments and as a way of creating an environment in which users see themselves as active participants. Companies in all sectors have developed gamification programs to help improve their user-to-customer conversion rates, most

93 See [http://www.pewinternet.org/files/old-media/Files/Reports/2012/PIP\\_Future\\_of\\_Internet\\_2012\\_Gamification.pdf](http://www.pewinternet.org/files/old-media/Files/Reports/2012/PIP_Future_of_Internet_2012_Gamification.pdf)

94 See infographics on gamification in [http://pandodaily.files.wordpress.com/2013/11/bunchball\\_loyalty30final.jpg?w=900&h=4598](http://pandodaily.files.wordpress.com/2013/11/bunchball_loyalty30final.jpg?w=900&h=4598) and *Gamificación: el negocio de la diversión* (Gamification: The Business of Fun) in <http://es.slideshare.net/cibbva/innovation-edge-gamificacin#>

often times on the Internet or through social media channels. In fact, that is what software company **Autodesk** did when it took gamification to its users, increasing its user rate by 40% and its conversion rate by 15%<sup>95</sup>.

In another similar example, **Badgeville** increased its customers' user behavior by 20% to 200%<sup>96</sup>, and other companies such as Cisco<sup>97</sup>, DevHub<sup>98</sup>, and joiz<sup>99</sup> were able to increase their loyalty and conversion rates when they began applying social gaming processes. Today, all types of brands and sectors, such as the culture, clothing, travel, and automobile industries, use some type of gamification strategy to attract customers or to sell to directly them, depending on their objective.

In the publications sector, gamification has been used mostly in advertising, smartphone apps, and websites. For example, **Adikteev** specializes in creating advertising campaigns that include gamification. Its free technology rewards users, therefore increasing their engagement through the game's features. Adikteev has devised a way of metering advertising during pauses in game play to create an unforced interaction with users. In other words, because the advertising is more attractive and less intrusive, many of Adikteev's clients have seen an increase in their earnings.

The Huffington Post has a website called **Predict the News** where readers can comment on, vote on, and predict the news. With this initiative, while readers are awarded insignias as part of a points system and are treated to a personalized experience, the online publication is able to increase website traffic and reader loyalty and, in the end, get more of its news stories read.

In the publishing sector, gamification has a different focus and is still being used sparingly. Gamification is most often used in digital marketing and in what is called relationship marketing. Now that publishers' and bookstores' websites are becoming more social, some of them even allowing users to create their own profiles in which they can do everything from review books, leave comments, vote, etc., it is easier to implement some form of gamification that gets their users to participate more. Increasing participation, though something that large, oftentimes international, bookselling platforms seem to do well, is still something that publishing websites need to work on.

Some initiatives like Penguin's **Book Country** and **First to Read** and HarperCollins' **Bookperk** are models of community building that, while not explicitly gamification systems, are able to boost recognition and engagement by rewarding users with exclusive content, discounts, teasers, and other forms of appreciation.

By following these examples, it should be easy to come up with a real gamification strategy that goes beyond rewards, though. It should be easy to come up with more "addictive" models that incorporate points systems or which let users move on to the next level or award them based on their knowledge, how much they read, for their attention to detail, or simply for participating. Tokens could be awarded for voting, other tokens could be given out for comments on Facebook and Twitter, and when users had collected enough tokens, they could be given the opportunity to purchase discounts or whatever they wanted, thus increasing the company's indirect sales and boosting customer loyalty.

With increased participation would come increased exposure and increased web traffic and it could even, depending on how far the publisher wanted to take its gamification model, generate new content. There are many opportunities for publishers to introduce gamification elements on their websites to encourage visits and participation without turning the website into a full-fledged video game.

Publishers need to know who their target audience is to determine which segments of that audience are most valuable and how to merge information and content with playable processes. Publishers of university-level material and textbooks, for example, are more likely to utilize some type of game because of the age of their client base. Publishers of literature would probably do better by developing ways for readers to show off their knowledge of literary trivia.

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95 See <http://www.slideshare.net/Badgeville/badgeville-summit-engage-2012-case-study-autodesk-gamifies-software-trial-marketing>

96 See <http://www.techrepublic.com/blog/big-data-analytics/gamification-data-can-drive-roi/>

97 [http://www.deloitte.com/view/en\\_US/us/Insights/Browse-by-Content-Type/deloitte-review/c7cee86d96498310VgnVCM-1000001956f00aRCRD.htm](http://www.deloitte.com/view/en_US/us/Insights/Browse-by-Content-Type/deloitte-review/c7cee86d96498310VgnVCM-1000001956f00aRCRD.htm)

98 <http://www.forbes.com/2010/10/28/education-internet-scratch-technology-gamification.html>

99 <http://www.gigya.com/case-studies/joiz/>

To give their books increased exposure, those publishers and bookstores that have direct contact with their readers could invite them to write reviews on the company's website or in the readers' own blogs using a widget that linked back to the site. Other readers could then vote on these reviews and/or leave their own comments, which could also be rewarded. Another way to increase participation would be to compensate readers for spotting typos, something that certain readers are already doing in their reviews and blogs, but which is underexploited because of the fact that editors rarely enjoy being shown their mistakes. Publishers or bookstores could even provide incentives to a certain number of first-time buyers, or do all sorts of other things.

**Kobo Reading Life**, an eBookstore, added certain characteristics and features to its reading application that incorporated both social and gamification elements. Now readers can share passages with friends and followers on their other apps, or even "check in" at some of the places that appear in the books they are reading, sometimes even as one of the characters. In addition, Kobo Reading Life also rewards readers with the chance to unlock content or win prizes for certain achievements which then appear in statistical form so that they can compare their accomplishments with friends.

Kobo Reading Life's model can be imitated by other mobile services including reading sites. If all of the features of the so-called "social mobile" model are considered, the opportunities for gamification seem worth implementing.

Foursquare's model is an example of how to use smartphone features to the fullest, especially from a social standpoint. This model can be used specifically by the book industry to geolocate bookstores, the settings in novels, authors' homes, etc. The combination of ideas is essentially infinite and can even be used in non-Internet models like the storefronts of bookstores.

Scholastic developed an online game website called **The 39 Clues** which complements the book series of the same name. On this website, young readers need to solve problems creatively in order to discover clues in the book which will in turn help them to move on to the next level in the online game. Through The 39 Clues website, Scholastic is able to reach a wider audience and possibly even get gamers to become interested in books, and vice versa.

It is clear that the publishing world still has a long way to go with respect to gamification and its use as an indirect business model which is why it should be given a second look<sup>100</sup>.

## 2.5. DIRECT SELLING

Direct selling continues to grow as another possible source of revenue to complement the traditional single-unit sale of goods through third parties. In fact, in Canada the publishing sector has taken deliberate steps to implement this model, as has HarperCollins, which has begun to lean towards this model in the last year in response to Amazon's dominant market position.

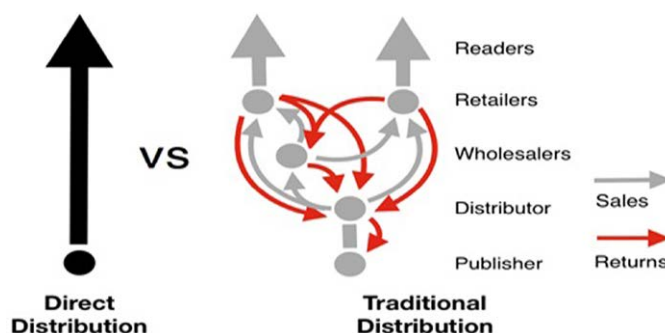


Figure 15. Source: [dosdoce.com](http://dosdoce.com)

100 See <http://www.dosdoce.com/articulo/opinion/3862/gamificacion-en-el-sector-editorial/> and <http://tkbr.cbsp.sfu.ca/pub802/2015/04/gamification-in-publishing-a-brief-argument-for-its-current-use-and-future-expansion/>

Direct selling, also known as the B2C model, is defined as selling products directly to consumers without the intervention of intermediaries or distributors, and which is represented by the [World Federation of Direct Selling Associations](#). Like other models discussed earlier, the direct selling model pre-dates the digital age. In the 1800s, manufacturers discovered that they could sell their products directly to customers through catalogs. In the 21st century, the Internet and eCommerce are giving new meaning and value to the possibility of selling everything imaginable directly to consumers. This is especially true of digital content which can be accessed immediately upon purchase.

Big Data and the international exposure that the Internet provides, though with international copyright issues still to address, are two of the direct selling model's biggest assets.

The main disadvantage of this model is, however, that the responsibility for selling and distributing content falls on the manufacturer. For this reason, blended models are often used that enlist the help of third parties. From the standpoint of consumers, direct selling is seen as advantageous because of the convenience and because of the clear cost savings that makes for cheaper products. The main reasons companies like direct selling are because it helps keep prices low and because they are able to give their customers faster, more personalized service.

Many platforms have embraced the direct selling model and some of them have even become sales channels, though not their original purpose. An example of this is Pinterest, which has finally taken the steps to be able to directly sell the products and services that users see in the images posted on its site.

This is, however, something that other lesser-known platforms, like [Wanelo](#), have already been doing. Wanelo, founded in San Francisco in 2011, allows its user community to search for, share, and purchase products just by clicking on an image. From August 2013 to August 2014, Wanelo went from having 1 million users to 11 million.

When Wanelo first began, users who clicked on an image would be sent to the website that sold that product in order to continue the transaction there. To improve the shopping experience, Wanelo partnered with these brands so that users could make purchases directly from Wanelo through its pay-in-app feature and not have to be redirected to other sites. [Shopify](#) is the Canadian technological company that made this possible and which is helping companies in many other sectors implement this service via social media. According to Shopify, while organic and paid searches continue to dominate the market, orders coming from social media grew 202% in 2014. Shopify also found that social media has become an effective way to increase sales<sup>101</sup>.

Several companies in the publishing sector have been selling content directly on their websites for years. Except for a few very specialized sellers, the majority of these companies admit that direct sales do not have a significant effect on their overall revenue, which is why they have little faith in the potential of the direct selling model.

However, in other sectors, such as the travel, ticket sales, clothing, and even the banking industries, companies with lots of eCommerce experience all agree that only those businesses that understand eCommerce as a business management tool, and that do not see it as just another type of transaction, will have a competitive edge in the digital age.

Direct selling on the Internet allows publishers to integrate all of the B2B processes into their online platforms without having to go through traditional distribution channels. This way, publishers can offer dynamic pricing and customer-centered added-value services like customized recommendation systems linked to their browsing and purchasing histories. Other similar services publishers could include would be allowing customers to access their purchased content on several different devices, providing them with their own personal libraries, and offering them discounts on content that matches their interests, etc.

As will be shown, although sales on publishers' websites are becoming both increasingly common and key to their business, the real added value of direct selling for publishers is getting to know their customers and their shopping habits better, in addition to how these customers make use of the products and services offered to them. It is therefore easy to understand why companies like Zara, Mango, Iberia, Renfe, etc. are so determined to incorporate the direct selling model on their platforms.

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101 <http://www.digitalbookworld.com/2015/to-go-direct-publishers-must-mean-business/>

In a 2011 survey<sup>102</sup>, paidContent confirmed that the number of readers who buy content directly from authors and publishers is growing. At least 39% of those surveyed had made purchases on publishers' websites and 25% had done the same directly on the websites of authors.

As was mentioned earlier, large-scale platforms and eBookstores are still the main sellers of eBooks. Nevertheless, publishers can take advantage of their own digital spaces and upgrade their websites to give their customers improved access to content, services, digital experiences, and to their corporate image. Many publishers have already incorporated direct selling capabilities into their websites, but making this model their primary sales channel and implementing the technology required to do so is something altogether different.

Those publishers that are known for their catalogs or that cover niche markets are better positioned to make the most of this opportunity. Not all authors, however, have the same capacity to sell on their own websites as J.K. Rowling, author of the Harry Potter saga. Her website links to [Pottermore](#), a store that sells everything related to the Potter brand, such as books, content, and services. Some publishers, though, do provide their authors with a personal space on the company's website which authors can use in addition to their own websites or any blogs that they might have.

In May 2012, an interesting report on territorial digital rights management predicted the positive impact this business model would have on the publishing sector in the future. According to this report<sup>103</sup>, Internet bandwidth and the abundance of content would limit the sales windows of territorial rights in the digital age.

Discovering new works is now faster and more transversal because this task is now in the hands of readers. Consumers who have at their fingertips tickets to every performance and who can go shopping anywhere in the world thanks to the Internet often become frustrated when they try to buy a book they are interested in only to find that the rights are not available in their country. Therefore, according to the report, publishers must not overlook the importance of digital exports because consumers will eventually find a way to get what they want.

Another reason the report recommends keeping an eye on digital exports is because the sale of translation rights for most books is unviable. There is not enough demand to translate all of the works by all of a publisher's authors for all markets (Spanish, French, German, etc.). Publishers can, however, sell these translations directly on their websites. This new source of income from digital exports is an extension of the direct selling model that was discussed earlier.

Publishers should therefore launch marketing campaigns and set up direct sales channels for their content in key markets, like directly selling books in Spanish in the emerging Spanish-speaking markets in the United States and China. This way they can consolidate new sales channels which would be very expensive and inefficient in the analog world but which in the digital marketplace could represent a steady source of income. Any commitment publishers make to direct exports should not replace their partnerships with third-party distributors such as Amazon, Barnes & Noble, etc. but rather it should strengthen them. The key to success with digital exports is not distribution but rather the exposure these books have in their respective markets. Companies need to make a firm commitment to the digital marketplace and to defending both their brand and their authors.

One country that is fully embracing the direct sales model is Canada, where, according to a survey published by BookNet Canada<sup>104</sup>, 66% of Canadian publishers are now selling eBooks directly to consumers. This share has risen 24% since 2013, when 42% of Canadian publishers reported offering direct sales.

The publisher [O'Reilly](#) sells directly to its customers without excluding other channels like Amazon, Barnes & Noble, or Apple, and as a result, it has access to valuable information that helps it adjust its content, sales, and marketing strategies. O'Reilly would not have this information if it only relied on third parties<sup>105</sup>. For example, the preferred format for O'Reilly's readers is PDF, representing 50% of the total number of downloads, coming in

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102 <http://gigaom.com/2011/07/01/419-study-finds-over-50-of-e-book-shoppers-buy-directly-from-authorpublishe/>

103 [http://www.magellanmediapartners.com/index.php/mmcp/article/the\\_upside/](http://www.magellanmediapartners.com/index.php/mmcp/article/the_upside/)

104 <http://www.digitalbookworld.com/2015/most-canadian-publishers-now-selling-ebooks-direct/>

105 <http://toc.oreilly.com/2012/03/publishers-data-direct-sales-customers.html>

ahead of EPUB and MOBI files. This might seem surprising given O'Reilly's reputation for pushing the envelope in the eBook world, but it actually makes sense since many of its readers work in IT and often read at their desks, and the PDF format allows them to do so.

Something else that O'Reilly learned thanks to its direct contact with customers was that the iPad was the most often used reading device (25%) among their most tech-savvy readers. It was also discovered that 46% of all of their users still preferred using their laptops and PCs for reading, most likely for the same reason that they chose PDFs over other formats. O'Reilly was able to gather all of this information because it asked its customers directly. Based on what it learned, O'Reilly can now draw up a set of new questions for its readers that will generate even more information on their habits. This only goes to show that one of the greatest added values of direct selling is direct knowledge of one's customers, their purchasing behavior, and how they interact with the company's products and services.

Over the last three or four years, formerly small-scale companies have grown to the point that direct selling has now become a distinctive feature of their business model. One of these companies is [Librosdecomunicacion.com](http://Librosdecomunicacion.com), a website launched in 2012 by the publisher Comunicación Social Ediciones y Publicaciones which specializes in books on communication, journalism, advertising, sociology, the press, radio, television, the Internet, and cybermedia. The website was created to sell Librosdecomunicacion.com's books in their digital format directly to customers. These eBooks, which rarely cost more than 6€, are available in PDF and EPUB formats and some of them are also DRM-free. The initiative was born of the need to make the publisher's texts available to a wider audience at the lowest price possible.

From the international marketplace comes [Verso Books](http://Verso Books), a company which actively applies the direct selling model. This publisher, with offices in London and New York City, specializes in translating works by authors on topics such as politics, sociology, economics, and philosophy. Its direct selling proposal, which has connections to the bundling model, involves throwing in the digital version of a book for free when customers buy the print version. With Verso Books, shipping costs are free to anywhere in the world without exceptions, which has always been the Achilles heel of direct selling. Their eBooks, which are compatible with all kinds of devices and which are always accessible from their website, are sold with a "social" DRM. This type of DRM is actually a watermark that includes the purchaser's details and license number, similar to what the books purchased from Pottermore have.

The primary objectives of Verso Books are to maintain direct contact with its readers, to offer them all of its content and information directly, and to increase exposure of its entire catalog with each sale, all of which are absent when consumers make a purchase on Amazon.

Penguin Books/Bertelsmann Random House, as a way of bringing back Pelican's classic collection of essays and educational books, launched an exclusive online reading platform for eBooks at the end of 2014 under the [Pelican Books](http://Pelican Books) label which resembles Pottermore.

The idea behind this platform, according to Penguin Books/Bertelsmann Random House, is to make its eBooks readable on all types of devices, which is why it has chosen the browser format in an effort to encourage cloud-based reading. Given that the project is directly connected to the Pelican brand, the platform's interface and the way the content is displayed are designed and organized according to the nature of the books in its collection. This way, readers are able to see maps, images, drawings, and footnotes while reading.

The model chosen for the Penguin Books platform allows readers to read the first few chapters of all of the books in the collection for free. Readers who wish to continue reading can purchase the entire book from the platform itself for about 5€. This initiative is also a good way for Penguin Books/Bertelsmann Random House to test the direct sale of its books. In Penguin Books' first month, the average user spent 18 minutes reading content online, which seems to reinforce the fact that, by selecting the browser format, the publisher has hit on the ideal way for readers to read this type of books.



HarperCollins, also at the end of 2014, announced its strategic decision to incorporate direct selling<sup>106</sup> into an eCommerce program for authors. What makes HarperCollins' program so attractive for authors is that they will receive a higher percentage (up to 35% when they used to receive 25%) of the sales made on their own websites. All authors need to do is include a "buy" button on their website that links back to the HarperCollins page in order to complete the purchase.

Customers can also purchase books through social media sites. HarperCollins' idea is to directly sell its books through as many sales channels as possible to, this way, create a new sales model for itself. According to HarperCollins, the program also guarantees authors that their books will always be available for their readers. For now, however, readers can only buy books in the United States until the program is extended to other regions.

**BookShout!**, another project acquired by HarperCollins, brings eBooks, user-generated content, and social media together to create a new reading experience and to allow users to share their eBooks. BookShout! also offers publishers an alternative to traditional sales through direct selling. This particular platform has developed a direct selling service that includes gift cards and the possibility of making a "social" purchase. Through its eBook direct selling services, BookShout! offers readers access to over 2,000 publishers and authors. Sales are handled through various applications and channels, but most importantly, thanks to its business model, BookShout! is able to gather data on users' reading and purchasing habits.

The growing interest in direct selling and in the opportunities that digital technology has created for the publishing sector have driven initiatives that use this model to offer consumers added services. The services like those offered by **Bookmobile** and **Enthrill's Endpaper** are currently popular because they help publishers create and manage eBookstores and platforms where they can sell their books directly, without the need for third parties. Another example is **Pubsoft**, which offers all of the software necessary for what the company calls the next generation of great publishers and authors, those of the 21st century. **Kbuuk**, Pubsoft's sister company, is one of the leading self-publishing platforms. Kbuuk, like many other platforms, started out offering basic publishing services, but Kbuuk went a step further and transferred its platform to Pubsoft's cloud where it could manage the promotion and sales processes connected with its content. In other words, it streamlined its marketing services and online sales model. By doing so, publishers and authors are now able to manage authors' websites, upload eBooks, sell directly to readers, and share profits.

Publishers and authors can set up their own eBookstores through Kbuuk, transform as many documents as they want into the eBook format, optimize content for Internet searches (SEO), and get ready to start selling their works. Kbuuk also includes a cloud-based HTML5 reader so that customers can read content on any browser. This reader also allows them to underline, make notes, and share content on social media sites.

Kbuuk's platform is especially intuitive and easy to use. It has customizable templates that can be used on its microsite or in the works users intend to publish. Its most interesting feature is, without a doubt, its ability to track sales in real time down to the time, place, and format in which an eBook has been sold. This tool can be very useful for new or small-scale publishers that want to target a particular niche market or that want to know who the most influential readers of its collection are. The platform's focus is clearly on authors who self-publish their work.

There is a similar platform in Spain that combines direct selling with a social payment system. **byeink**, a cloud-based platform, allows users to create and directly sell their eBooks in just four easy steps. It is a simple process that helps authors go from publishing their texts to creating metadata to managing their publications to distributing them in such a way that their eBooks can be promoted on social media sites like Facebook, Twitter, and Google+, or through embedded QR codes.

All of these services are free of charge. The novelty of byeink's platform is its social payment system which does not allow users to pay for chapters of an eBook (or sometimes the entire book itself) using real currency. Instead, readers can download content after tweeting about the book or by leaving a comment on Facebook. In other words, books can be paid for just by spreading the word and promoting them.

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106 <http://corporate.harpercollins.com/us/press-releases/412/HarperCollins%20Publishers%20Launches%20E-Commerce%20Program%20for%20Authors>

byeink also has eBooks for sale that users may purchase using PayPal. This method, in addition to making it easier for authors to sell their books directly from their own websites or blogs, allows them to get to know their readers better and it also keeps them up-to-date on the sale of their books. PayPal is a way for authors to get paid automatically and also guarantees that they receive 100% of the royalties.

[PlanetaHipermedia.com](http://PlanetaHipermedia.com) deserves mention when talking about direct selling services since it is a prime example of how businesses can transform content into services.

This new project by [PlanetaHipermedia.com](http://PlanetaHipermedia.com) basically consists of converting books written by the best and brightest authors on the subject of management into online courses. The fundamental idea is to take advantage of the sheer amount of high-quality content already available by these outstanding authors and to transform it into educational material.

[PlanetaHipermedia.com](http://PlanetaHipermedia.com)'s idea of transforming educational processes can be an integrative solution when done within a collaborative framework that encourages self-development and professionalization in its users and when it adapts to their personal preferences, needs, and interests.

There are two ways users can access [PlanetaHipermedia.com](http://PlanetaHipermedia.com) content. In the B2B model, large corporations like Banco Santander, BBVA, Telefónica, ACCIONA, etc. buy access licenses for their employees. In the B2C model, users can buy access to courses through [PlanetaHipermedia.com](http://PlanetaHipermedia.com)'s website or through the App Store or Google play. No software needs to be installed, and no training is required. Users simply log in to the platform on their devices using the passwords provided to them by their employer or organization.

All of [PlanetaHipermedia.com](http://PlanetaHipermedia.com)'s courses provide companies with a statistical analysis of their employees as well as other management tools. This way, companies can monitor their employees' training to, on the one hand, track and analyze their activity and, on the other, set parameters to help identify new learning opportunities, in addition to obtaining user feedback, certifying employees for completing courses, etc.

## 2.6. SELF-PUBLISHING

Self-publishing and self-editing are business models that many in the publishing sector see as disruptive. However, the number of services and platforms dedicated exclusively to this activity are proof of how valuable this model is to many others. The figures on self-publishing, though often times secretive and nearly always controversial, point to continued growth for this model.

In the last few months, an interesting debate has started to form in the book world about the opportunities derived from the impact of self-publishing (or self-editing, depending on one's preferences or the subtle nuances that separate the two).

As is logical, fully discussing the self-publishing model would require its own separate study, but some of the key aspects that make this service a business model can and should be mentioned here.

Self-publishing is nothing new. In fact, in the 19th and 20th centuries, it was actually a common activity. In the 21st century, however, self-publishing has gone from what some in the book world considered to be a minor activity of dubious quality to becoming big business.

Though self-publishing could be considered a service, something closely related to the "on demand" economy but different from streaming or pay-per-use, it is actually more like an "ordinary on-demand service." Examples include those companies that provide a number of services through their platforms or apps, like restaurant reservations, food to go, the assembly or disassembly of furniture (like [TaskRabbit](#)), or speech writing services for both companies and individuals (like [Scripted](#)).

For the last two years, prestigious national and international publishers to bookstores to libraries have all defended self-publishing as a complement to their regular business activity. However, if the book world were to add self-publishing platforms to its list of traditional business models, it would require redefining the current distinction it makes between writers and would-be, or indie, writers.

If done intelligently, publishers, bookstores, and libraries that launch their own self-publishing platforms could benefit from the expanding universe of new writers by creating an environment that supplements their traditional business activity, providing them with a new source of income. More information on this subject is available in *Autores independientes*<sup>107</sup> (Independent Authors), a report that was recently published by dosdoce.com in collaboration with Biografías Personales.



Figure 16. Source: The Creative Penn

The truth is that the big names in publishing have already decided to back the idea of self-publishing services. This trend was first seen in the eBook sector in 2012. In a study<sup>108</sup> presented by A.T. Kearney/Bookrepublic that analyzed digital trends in Europe, Asia, South America, and North America, it was shown that large publishing groups had clearly discovered that self-publishing could bring in extra income to supplement their revenue from traditional publishing.

The rise of self-publishing has led major publishing houses to join the growing number of platforms that offer this type of service. In the self-publishing business, the primary source of revenue is not from the sale of print or eBooks, but rather from the publishing services hired by authors interested in self-publishing.

In a survey published in Digital Book World<sup>109</sup>, authors were asked which publishing services they would hire from a self-publishing platform. Almost half of the respondents said that they had paid for publishing services for their books. The average price of these services was between 500€ and 999€. The following is a list of the services that authors use most and the percentage of authors that have used them:

- Cover art: 34.8%
- Formatting: 24.4%

107 *Autores indies. El auge de la autoedición* (Indie Authors. The Rise of Self-Publishing) in <http://www.dosdoce.com/2015/09/30/autores-indies-el-auge-de-la-autoedicion>

108 <http://www.slideshare.net/IfBookThen/do-readers-dream-of-electronic-books>

109 <http://www.digitalbookworld.com/2014/should-self-publishing-authors-hire-editors-producers-and-cover-designers-team-publishing-vs-diy/>

- Print-on-demand: 22.8%
- Copy editing: 21.5%
- Content editing: 16.9%
- Page design: 14.5%
- Distribution: 13.6%
- Marketing and promotion: 10.8%
- Illustration: 6.6%

It appears that authors who self-publish truly believe that readers can judge a book by its cover. They also understand the value of an editor's work, at least to the point of hiring this service over marketing or promotion assistance.

What is obvious is that not only has the number of self-publishing platforms risen but also that these platforms are competing among themselves, creating better and more competitive services, even though prices vary widely from one to another. In the end, the self-publishing platforms that are able to put together the best services at the best prices will be the ones that win over the biggest number of authors.

**Book Country** was one of the first self-publishing platforms created by a major publisher, namely Penguin. On this platform, users can discover new books and new authors, discuss ideas, share advice and experiences, and learn more about the publishing industry.

One of the most talked-about events in the sector happened about a year ago when recently merged Penguin Random House bought the self-publishing services platform **Author Solutions** for \$116 million. Though this platform had at one time worked with 180,000 authors, these authors had only published an average of 1.25 books each.

This is, however, not the only case of a book-sector company getting in on the self-publishing movement. HarperCollins, Roca Editorial, Apple, Casa del Libro, and others have launched their own initiatives to explore this new world. Prestigious national and international publishers, bookstores, and libraries are all analyzing the potential benefits of creating their own platforms to provide their authors with self-publishing services and their readers with additional content.

Digital platforms like **NOOK Press**, Kobo, and Amazon also have their own projects going. For example, Barnes & Noble's NOOK Press is an online self-publishing portal for independent publishers and authors. All of the eBooks that are published through this platform are distributed and sold through the NOOK bookstore on BN.com, on NOOK devices, and through Android, iPad, iPhone, Windows 8, Mac, and PC applications.

In addition to providing the basic services and tools that authors need to self-publish, NOOK Press also has a Live Chat service from 9 a.m. to 9 p.m., Monday to Friday, to provide them with all of the support and information they need. Authors who set their book prices at between 2.50€ and 9.49€ receive 65% of the sales price and 40% if they decide to charge less than 2.50€. Currently, the platform is available to authors and publishers in the United States, the United Kingdom, France, Italy, Germany, Spain, the Netherlands, and Belgium.

**Kobo Writing Life**, available in English, French, Spanish, Italian, Dutch, and German, makes it easy for authors to join its global catalog since it welcomes publications from anywhere in the world and in any language. Kobo Writing Life's platform is open, social, and collaborative and, as a result, is able to provide small-scale authors with the tools they need to publish and track their sales in real time, which can be done through its website and through associated retailers' sites as well.

This platform allows authors to set their own prices and publish their works without having to sign exclusive-rights agreements. Authors are also able to use the platform's real-time assessment tools which provide them with country-specific sales statistics. They can also use Kobo Reading Life's marketing tools that include certain gamification features to help them establish direct contact with readers from around the world.

It is worth mentioning Amazon's **Kindle Direct Publishing** before concluding this discussion of digital self-publishing platforms. Through Kindle Direct Publishing's platform, authors can publish their books for free in a matter of hours. They are also able to maintain the copyright to their work.

Kindle Direct Publishing allows books on its platform to be distributed around the world, which is possibly one of its best features. The platform, however, does not include as many support, information, or editing services as other self-publishing platforms, especially those run by large publishers, like Penguin's Book Country. According to the 2015 edition of the *Autores indies* (Indie Authors) report<sup>110</sup>, 64% of authors who have uploaded their books to Amazon Spain's platform since it began offering eBooks have done so as self-published authors, compared to just 10% of Kobo's users and 7% of Google's.

In the *Autores Indies* report, 120,000 of the bestselling eBooks on Amazon in 2014 were studied allowing AuthorEarnings, which released the report, to capture real-time data from Amazon's thousands of public eBook bestseller lists and sublists.

According to its research, AuthorEarnings found that eBooks published by independent authors accounted for 33% of Amazon's total eBook sales and that self-published books brought in 20% of the money that readers spent on eBooks on the platform. It also showed that independent authors take home 40% of the total revenue generated by the eBooks sold on Amazon. Authors published by the Big Five dropped to second place compared to last year's figures and now represent 35% of Amazon's total eBook sales.



Figure 17. AuthorEarnings report

With respect to how Amazon divides up its earnings, authors used to receive 70% of the royalties, which was a big selling point in the minds of many new authors. However, Amazon announced that beginning on July 1,

110 *Autores indies. El auge de la autoedición* (Indie Authors. The Rise of Self-Publishing) (2015) in <http://www.dosdoce.com/2015/09/30/autores-indies-el-auge-de-la-autoedicion/>

2015, it was going to change its Kindle Unlimited royalty payment model. Instead of paying authors according to the number of times their works were loaned, authors are now going to be paid according to the number of their pages that are read.

A few authors got out their calculators and came to the conclusion that they were going to make a lot less money with this new model. This new compensation policy, however, only applies to independent authors and the publishers that use Amazon's self-publishing platform to market their eBooks. It seems, therefore, that this new payment model is really designed to benefit those authors who sell the most.

According to data compiled by Hugh Howey, of the self-published eBooks on Amazon, 40% of the royalties paid go to independent authors compared to 35% for the Big Five publishers. This data does not include the sale of print books nor any advances that may have been paid to authors<sup>111</sup>.

Because of the growth of and the interest in self-publishing, and thanks to the user-friendliness of the digital tools available, many new initiatives have appeared both in Spain and elsewhere which go beyond what the well-known and established platforms offer. Of these, several stand out and, though they have similar focuses, each have their own subtle differences.

For example, [Simplicissimus Book Farm](#), an Italian eBook publishing company, provides publishers and authors alike with content solutions. It does so through its [Narcissus](#) platform which is run by Stealth Books. Simplicissimus offers online distribution and eBook publishing services through its patented proprietary technology. Simplicissimus' market position as an independent distributor and aggregator is growing in Italy, thanks to the nearly 850 publishers it works with and the approximately 30,000 titles it has distributed so far.

Narcissus' total sales make it fifth on the list of top Italian publishers. The platform is accessible in Spanish, English, Italian, French, German, Polish, Turkish, and Portuguese. Narcissus allows its authors to check on their book sales on a single site, which means that they do not have to navigate through individual bookstores' websites, and all of the information it provides is in real time. Authors are not required to pay periodic fees. Currently, Narcissus has more than 5,500 registered users, of which 1,631 have already published at least one book. Today, more than 3,000 books have been published thanks to Narcissus.

[FastPencil](#) is a customizable cloud-based platform that uses its own proprietary self-publishing software. This platform was created at the end of 2007 and, after launching a beta version, it has since attracted thousands of already published authors and many renowned writers who are interested in directly publishing their works.

FastPencil has also made some significant B2B partnerships. In April 2013, FastPencil was acquired by the Courier Corporation, currently the second largest book manufacturer in the United States. Being acquired by Courier has allowed FastPencil to focus exclusively on expanding its self-publishing platform internationally. More than 100,000 authors have worked on projects through FastPencil's platform and many strategic licensing and distribution agreements have been reached.

The case of [Ourboox](#) is unique in that the focus of this platform is on self-publishing children's books and illustrated books. Ourboox was founded by Mel Rosenberg, a writer of children's books himself. After attending the Bologna Children's Book Fair, he noticed that many writers and illustrators had difficulty getting agents and publishers to recognize their work. Rosenberg decided to create Ourboox to bring writers and illustrators together on a single platform to get them to work together. Ourboox's business model is based on open reading: All of its books have their own URL and can be shared openly on Facebook, Twitter, and other social media sites. Ourboox has achieved quiet success, allowing it to open its market to include not only children's books but also books on poetry, cooking, health, etc.

In the children's book world, Ourboox has achieved a certain level of "reverse literacy," which, in its creator's own words, is to say that children are creating their own stories in school projects. One of the platform's most interest-

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111 <http://www.ft.com/intl/cms/s/0/da1b382e-c8ea-11e4-bc64-00144feab7de.html>

ing features is that it uses browser-based technology meaning that, because each book is free and has its own URL, they are easily searchable on Google if tagged correctly. This allows books to be shared and talked about, creating better exposure for them. Readers can also order print-on-demand copies of the books they like.

In Spain, one of the first self-publishing service companies was [Bubok](#). Bubok is an online self-publishing platform that allows books to be edited, published, and sold on demand in both print and eBook formats. Bubok is also its own on- and offline bookstore, having recently opened a brick-and-mortar store in Madrid.

The authors who use Bubok's services are responsible for writing, editing, designing, selling, and promoting their own works. In addition, the authors themselves put their books up for sale (either as eBooks or in print) and decide what price they want charge. Bubok handles the printing and the shipping of print versions and it also offers authors a series of printing, editing, and sales services for their books. For every book authors sell, they get to keep 80% of the net profit (after the costs of publishing and any added services have been deducted), and Bubok holds on to the remaining 20%.

In Spain, the [Entreescritores.com](#) project deserves mention. On this platform, writers can publish their books and then talk about them and promote them through different online communication channels, like Twitter, blogs, Facebook, LinkedIn, and Pinterest. Readers, as a result, are charged with helping discover new books and writers in their role as "literary critics." Thanks to readers' comments, authors get valuable feedback on their books. Books published on Entreescritores.com can be downloaded and read on smartphones, iPads, PCs, eReaders, and tablets.

Entreescritores.com has also worked with independent publishers like Tropo Editores, Ediciones Letra Clara, Mandala Ediciones, Ediciones Gaumin, Salto de Página, Ediciones del Serbal, and Club Editor to better promote its catalog. In its first year alone, this self-publishing portal already has 5,000 registered users and hundreds of eBooks in its collection.

Casa del Libro also has its own self-publishing service called [Autopublicación Tagus](#), a platform that allows its users to publish their books independently while being offered the services and quality of a traditional publisher. Since launching its beta version in May 2013, the platform has reinvented itself. In April 2014, Autopublicación Tagus adapted its platform to be accessible to all users, from novices to experts, and began to include publishing services for all types of budgets.

In its updated version, Autopublicación Tagus even allows users to publish their books for free. As part of the evolution undergone by the platform, a distinction is now made between two types of writers. Authors are offered either novice or premium products and services depending on how dedicated they are, how much they know about self-publishing tools, and how much they are prepared to spend. Like other platforms, Autopublicación Tagus has services directed at publishers and companies, too.

Self-publishing has even reached the mobile app world. [Story2Go Book Creator](#) offers technology that makes it easier to publish eBooks, magazines, and interactive books and apps which can also be integrated into websites, blogs, etc. Like other platforms, Story2Go's aim is to simplify the self-publishing process as much as possible so that its users do not need to know how to program or design this type of content. Thanks to the platform, users are able to create different types of intuitive narratives and stories.

This interactive-content publisher initially developed its platform to be used on iPads, though this does not mean that eBooks created on Story2Go cannot be sold on Android-based platforms. By allowing users to create content on their own tablets, Story2Go has shown that combining the growing interest in all areas of self-publishing with the ability to work with and access content on mobile devices such as tablets and smartphones is actually a very good idea.

Libraries too, which are openly welcoming the arrival of self-published books, are the focus of other initiatives. One of the first partnerships in this sector, beyond the arrival of the [Espresso Book Machine](#), was with [BiblioBoard](#), which provided libraries with an engaging digital experience that allowed them to interact with multimedia collections of books, articles, images, audio files, and videos. One of BiblioBoard's latest services for libraries is based on bringing authors, libraries, and readers of self-published books together through its Library Journal-powered [SELF-e](#) platform.

What BiblioBoard does is select the “best” self-published eBooks before offering them to libraries to be loaned out to patrons. The platform also encourages authors who self-publish to send in their books and libraries to promote local authors and organize events and presentations. All in all, BiblioBoard has become both a distribution tool and a way to discover self-published books.

The evolution of this trend within the growing self-publishing model is playing out as many had predicted, although data relating to the model are not always forthcoming. This secrecy that surrounds the revealing and sharing of information is in fact one of the main reasons behind the ongoing self-publishing debate.

At the 2013 Frankfurt Book Fair, a report on ISBN data in the United States published by ProQuest and Bowker revealed that the number of self-published books was 391,000 in 2012, which was 59% more than in 2011 and 422% more than in 2007. eBooks were the leading format, accounting for 40% of the ISBNs for self-published books in 2012, compared to just 11% in 2007. More than 80% of the self-published books on the market came from just eight self-publishing companies, one of them being Smashwords. Fiction, self-help, spirituality, biographies, and children’s books were the most popular genres.

According to this report, there are three types of writers who self-publish: amateur writers, professional writers, and experts who use self-publishing as a way of sharing their knowledge.

At the Frankfurt Book Fair, attendees wanted to know about the value, potential, and quality of self-published books. However, because this new trend is clearly here to stay, the question that the sector really should have been asking itself was “What services can self-publishing offer?” In light of the comments made by many of the self-published authors and based on the available statistics, surely the advantages of this model include creative freedom and a simplified publishing process. One of self-publishing’s drawbacks, however, would be its lack of marketing and promotional support that traditional publishers are able to offer.

The truth is that, even though there may be an evident lack of quality in the majority of self-published books, the number of self-published authors is growing and sales are too. This, then, is a clear indicator that there is at least a certain segment of readers that has found something in these authors that they were not getting from publishing companies.

The number of self-published authors continued to grow through 2014. According to The Guardian<sup>112</sup>, there was a 79% increase in self-published books in the United Kingdom in a single year. The sales figures for these books hit £300 million and eBook sales were up by 20%, though sales of print books fell by 10% in the last year. Although the self-published book market only represents 5% of the total, there seems to be no end in sight. In the past, eBook sales only accounted for 1% or 2% of the market, but now, in the United Kingdom, eBooks make up 30%. In fact, self-published books written by independent authors are responsible for this dramatic rise in eBook sales.

Genre and niche books like thrillers, science fiction, and romance novels are the best received by readers of self-published content. Because of their low cost, often just 1€ apiece, readers sometimes snap them up almost compulsively. The fact that only 22% of all books published have a legal eBook version has also helped encourage other reading choices to flourish. The evidence in favor of self-publishing is so overwhelming that publishers, bookstores, and libraries are beginning to analyze the benefits of creating self-publishing services and content platforms for their authors and readers.

According to a Nielsen survey of readers, 17 million self-published books were sold in 2014 in the United Kingdom alone. Profits reached £58 million and eBooks made up 15% of total book sales<sup>113</sup>. However, Bookseller’s numbers are different. According to this publication, 88 million eBooks were sold in the United Kingdom, of which 20% were self-published<sup>114</sup>.

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112 <http://www.theguardian.com/books/2014/jun/13/self-publishing-boom-lifts-sales-18m-titles-300m>

113 <http://publishingperspectives.com/2015/06/nielsen-self-publishing-now-more-like-traditional-publishing/>

114 <http://www.thebookseller.com/futurebook/how-big-market-self-published-titles>



Data released by Bowker, which bases its figures on the number of ISBNs registered, show that in 2012 more than 391,000 titles were identified as belonging to independent authors in the United States. In 2013, that number grew to 458,564 million, an increase of 17%.

In France, and again according to data from Bowker, the top five selling books in 2014 were self-published. In Spain, it has been calculated that about 20,000 eBooks have been published by independent authors and that this rapidly expanding segment has generated approximately 8€ million in revenue in 2014<sup>115</sup>.

With respect to Spain, and using the same caution that is normally applied to analyzing data from other countries, the number of self-published works increased by 78% in 2014, according to a report published by ArtGerust. In fact, Spain, together with Germany, leads Europe in terms of self-publishing figures<sup>116</sup>.

As for demographic data, according to a Books & Consumers survey which interviews 3,000 book buyers every month, those who read the most are also the ones who buy the most self-published books (61%) compared to 37% of average book buyers. By sex, 36% of those who buy self-published books are women over 45. Similarly, statistics show that female independent authors have written the most bestsellers so far (67% compared to 39% of their male counterparts), according to the previously mentioned *Autores indies* report on the rise of self-publishing<sup>117</sup>.

## 2.7. LIBRARY LENDING

The qualitative and quantitative changes undergone by libraries in just a year is truly impressive. Libraries are becoming the paradigm of model management and access to eBooks, being largely responsible for the growing enthusiasm surrounding the sale of eBooks and digital content in both the Spanish and Latin American markets.

In certain areas, libraries are among the few cultural spaces left where readers can discover new types literature, authors, and encounter other like-minded individuals. The role of libraries, far from diminishing, is actually growing. In the 21st century, libraries will become key places for readers to discover, borrow, subscribe to, and buy all sorts of digital content, from eBooks to music to films, video games, apps, and more.

These circumstances provide publishers with many opportunities to develop new business models that allow libraries to provide services in line with the new trends associated with this type of content. Neither publishers nor libraries have the upper hand in this situation. In the digital age, publishers and libraries must, in the best sense of the expression, work together whether they like it or not given that both parties need each other now more than ever.

The model used by analogue libraries, the kind of libraries that only lend out print-version books, was and continues to be limited to purchasing a document which can then be lent out to one patron at a time but which, logically, cannot be lent to another until it is returned. The model for purchasing content in the digital age is different, however, and is based on the licensing model. By definition, buying a license means paying for permission to use something which is not owned but rather which is used temporarily. In reality, the analogue model, although it involves owning content, is also restricted to some degree by an expiration date which has to do with the content becoming obsolete or to the deterioration of the document itself due to continued handling by users.

Before, public authorities considered print books purchased by libraries to be an investment because the books were owned, but when licenses are bought for the use of digital content, this is labeled a maintenance expense.

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115 *Autores indies. El auge de la autoedición* (Indie Authors. The Rise of Self-Publishing) (2015) in <http://www.dosdoce.com/2015/09/30/autores-indies-el-auge-de-la-autoedicion/>

116 [http://www.efc.com/efe/america/comunicados/la-autopublicacion-de-libros-crece-un-78-en-espana/20004010-TEXTOE\\_20222813#](http://www.efc.com/efe/america/comunicados/la-autopublicacion-de-libros-crece-un-78-en-espana/20004010-TEXTOE_20222813#)

117 *Autores indies. El auge de la autoedición* (Indie Authors. The Rise of Self-Publishing) (2015) in <http://www.dosdoce.com/2015/09/30/autores-indies-el-auge-de-la-autoedicion/>

Libraries that allow their patrons to borrow digital content need to choose the licensing model that, first of all, best suits their needs and those of their patrons, but also one that matches the type of content being borrowed and fits into their budget. To do so, libraries need to know what types of licenses are available and which one is best in which case. If necessary, libraries can seek independent advice from organizations that are experienced in this particular area since a wrong choice may end up being a waste of public funds.

Generally speaking, there are three factors intrinsic to digital licenses: the number of simultaneous users, circulation, and time. As libraries define what their needs are with respect to the possible combinations of these factors, they will, in the end, have several models to choose from.

The number of simultaneous users refers to the number of users that can borrow a particular document at the same time, something that cannot happen when a library has a single print-version copy of a book but which is possible in the digital world. Libraries therefore need to make a decision document by document about whether they will purchase an individual single-user license (the only option available in the case of print books) for one user at a time, replicating the traditional print-version lending model, or whether they will allow a particular document to be borrowed by simultaneous users. Within this second option, libraries also need to determine what the maximum number of users who can borrow a particular document at the same time will be, though most often times this number is three.

Circulation is another factor to consider, deciding whether or not to limit the number of times a document can be borrowed. The time factor refers to how long a license is valid – months, years, or indefinitely.

## TYPES OF LICENSES: PERMANENT, PERPETUAL ACCESS, SUBSCRIPTION, PAY WHAT YOU READ, ETC.

The following infographic<sup>118</sup> is provided to give publishers, agents, and authors a better understanding of the different types of eLending models, highlighting the most important characteristics of each of them.

 <b>USER CONCURRENCE</b>	 <b>NON CONCURRENT</b>	Use is permitted to a single user per eBook. Single license used for loans of printed books.
	 <b>CONCURRENT</b>	Use is allowed to several users simultaneously.
	 <b>CONCURRENT WITH LIMITED NUMBER OF USERS</b>	A limited number of users are allowed to borrow the item at the same time (usually not more than three)
 <b>CIRCULATION OR LOAN</b>	 <b>LIMITED NUMBER OF LOANS</b>	Limited to the number of loans (for example, 25)
	 <b>UNLIMITED LOANS</b>	An unlimited number of loans is possible.
 <b>LIMITED</b>	 <b>TERM</b>	Acquisition of content/services for a limited term (months, years...) A right to renewal may be negotiated but the license expires regardless of the number of loans reached.
	 <b>UNLIMITED TERM</b>	Time is not taken into consideration under this license which is governed by other circumstances, such as the number of loans. The licence concludes when the maximum number of loans is reached.
 <b>PERPETUAL</b>	The classic printed book acquisition license model, it is acquired for a long term (10 years) and is not determined by other characteristics such as the number of loans since it is unlimited.	
 <b>PAY-PER-USE</b>	The Library only pays for the titles and the reading percentage per user.	
 <b>SUBSCRIPTION</b>	The Library provides a set of books at the users' disposal establishing each characteristic; concurrence, circulation and term. Subscription is normally concurrent, of unlimited circulation and expires within a given term.	

Figure 18. Library eLending models. Source: [dosdoce.com](http://dosdoce.com)

The infographic shows that libraries can create up to 13 different combinations of eLending models. These range from traditional licenses which either limit the number of times a book can be borrowed or how long (months, years) the library can loan the work out, to more innovative models like permanent, pay-what-you-read, and perpetual licenses. Libraries need to be aware of the singularities of each of these eLending models to be able to, on the one hand, negotiate with the rights holders or their representatives and, on the other, to make decisions which best make use of public funds in accordance with the libraries' particular demand and with the needs of their patrons.

118 <http://www.dosdoce.com/2015/05/31/12-claves-para-ofrecer-prestamo-digital-en-bibliotecas/>

Perpetual licenses most closely resemble the traditional concept of purchasing print versions of books. This type of license is acquired for a very long time and other variables, like how many times the content can be borrowed, are not factored in.

Certain library eLending models are based on the subscription model, like the libraries in the Spanish province of Badajoz which subscribe to Nubeteca. With this type of model, libraries pay a set amount for each of their patrons with access to the libraries' catalog but without taking into consideration how often these patrons actually borrow books. The libraries in Badajoz have a simultaneous-user license limited to a circulation of 10,000 loans for the libraries' entire catalog but without an expiration date. A pay-what-you-read or on-demand model would be exactly the opposite. With this type of license, libraries would only pay for the number of books borrowed and the percentage of these books that patrons actually read.

Libraries, generally speaking, are known for the diversity of their patrons and their interests, in addition to the wide variety of possibilities that they provide their communities, which is why it is difficult to imagine a library having a single licensing model. With only one type of model, the library's entire catalog would be subject to the same conditions concerning the number of simultaneous users, circulation, and time. Ideally, libraries should have the flexibility afforded to them by the digital age and employ several different licensing models depending on the type of content and the type of patrons they have.

Although it is still too early to reach definitive conclusions or to critically discuss any results at this stage, the initial data released by eBiblio<sup>119</sup> and eLiburutegia<sup>120</sup>, two of Spain's eLending platforms, indicate that eLending services in Spain are still lagging behind other similar platforms around the world<sup>121</sup>. However, the statistics also predict that within a few years, eLending in Spain will most likely evolve to the point where it is able to match or even surpass its neighbors.

In September 2014, Spain's Ministry of Education, Culture, and Sports launched a free online lending service for eBooks and audiobooks called eBiblio across Spain, with the exception of the Basque Country, which has its own platform called eLiburutegia. The Ministry invested 1.6€ million to make this service available to patrons of the state's public library network (*Red de Bibliotecas Públicas*) in Navarre, Castile and Leon, Ceuta, Andalusia, Madrid, Aragon, La Rioja, the Canary Islands, Extremadura, Murcia, Castile-La Mancha, Galicia, Cantabria, Asturias, Valencia, Melilla, the Balearic Islands, and Catalonia.

From eBiblio's launch to September 2015, 113,548 Spanish public-library patrons have used the state's eLending service, borrowing a total of 161,640 works in just under a year. The top five regions in terms of number of users are the Region of Madrid with 22% (25,028 users), followed by Catalonia at 19.9% (22,588), Andalusia at 11.9% (13,497), Castile and Leon with 7.2% (8,210), and the Region of Valencia at 7.1% (8,037). The top five regions which borrowed the most content are the Region of Madrid, in which content was borrowed 39,424 times (or 24.4% of the total), Catalonia at 30,419 times (18.8%), Andalusia at 21,707 times (13.4%), the Region of Valencia at 12,573 times (7.8%), and Castile and Leon at 10,756 times (6.6%).

## COMPARATIVE ANALYSIS OF INTERNATIONAL PLATFORMS

Although the initial figures in Spain are lower in comparison to other international initiatives, they are in line with the statistics from five years ago when these international platforms were just beginning. When comparing and analyzing eReading conversion rates, it must not be forgotten that most international platforms have been lending eBooks for the last three to five years, which is why eReading acceptance rates for different platforms in different countries are different. This type of comparative analysis, however, helps to indicate the path that still lies ahead.

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119 <http://www.mecd.gob.es/prensa-mecd/actualidad/2014/09/20140908-biblio.html>

120 <http://www.liburuklik.euskadi.net/prestamo-digital>

121 <https://scriptaverba.wordpress.com/2015/07/20/primeras-cifras-de-uso-de-ebiblio-en-catalunya/>

The eReading conversion rates for patrons of the major library systems around the world are as follows:

- Quebec public libraries (Canada): 6.91%
- New York Public Library (United States): 3.33%
- MediaLibraryOnLine (Italy): 3%
- Atingo (Sweden): 1.5%
- eLiburutegia (Basque Country-Spain): 1%
- eBiblio (Spain): 1%

In its first 10 months, eLiburutegia, the Basque Country's digital library (*Biblioteca Digital de Euskadi*), loaned out a total of 22,000 eBooks to its more than 7,000 patrons who registered with this new platform, thereby generating an eReading conversion rate of 1%. These results are significant if compared to the previously mentioned international platforms, which have been providing this service for their patrons for years. One of the keys to eLiburutegia's success is the way it encourages patrons to read content on screens through its wide ranging and diverse catalog of eBooks which the platform expects will surpass the 10,000 title mark by the end of 2015.

Beyond these numbers, which are not the only way to analyze the evolution of library eLending models, what is really important is to analyze what makes these platforms successful. Some of the eLending model's keys to achieving success in Spain are<sup>122</sup>:

- **Have a wide-ranging catalog of eBooks.** Having a wide range of eBooks is one of the most important ways libraries can promote their eLending services. According to a report entitled *Uso de los eBooks en las bibliotecas públicas* (The Use of eBooks in Public Libraries), the platforms with the best eLending use rates are those that have, on average, more than 10,000 eBooks in their catalog.
- **Train librarians.** Beyond just having a wide-ranging catalog, in order for the library's eLending project to be a success, it is very important to involve librarians at every step of the process, to actively listen to them, and to make note of their suggestions and proposals on how to improve the service. From the start, librarians need to receive training both on how to select content and on how their library's platform works so that they can actively recommend it to patrons.
- **Choose sustainable eLending licensing models.** There is wide array of licensing models available which publishers and libraries need to analyze in order to determine what type of license is best for the eBooks that the library has acquired. More and more major libraries around the world are choosing licenses without expiration dates as part of their mix of licenses to guarantee the economic sustainability of their purchases (see the following infographic for more details).
- **Promote on-screen reading.** In addition to a having good catalog and librarians who are enthusiastic about the project, libraries need to make the effort to promote on-screen reading through eReading clubs and through their blogs and social media profiles, and by developing joint campaigns with schools, authors, and publishers in order to improve the rotation of their catalog.
- **Improve technological control.** In contrast to the early stages in which eLending services were purchased from commercial platforms like Overdrive, 3M Cloud Library, and Baker & Taylor, many European and American libraries are now currently studying the possibility of developing proprietary platforms. The primary objective of these platforms, like Library Simplified in the United States, Bibook in France, e-Boeken in Belgium, and eLiburutegia in the Basque Country, is to have more control over the public service that they are offering their patrons and to be more flexible.

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122 <http://www.dosdoce.com/articulo/opinion/3949/claves-del-exito-del-prestamo-digital-en-bibliotecas-publicas/>

→ **Go beyond eBooks.** Libraries need to lead the search for content and offer their patrons all types of digital content. The most innovative libraries have taken this idea to heart and are incorporating different kinds of content into their catalogs, like educational apps, a wide range of self-published books, user-generated content, non-copyrighted books, video games, movies, music, etc. in addition to eBooks.

## KEY POINTS TO CONSIDER WHEN STARTING AN ELENDING PROJECT

It is obvious that there have been many changes in the way content (books, magazines, newspapers, etc.) is created, distributed, marketed, and read since the advent of the Internet. The following infographic shows the path that libraries need to take to go from just loaning out print-version books to also having eLending services. The infographic also lists the key points that public and school libraries alike need to keep in mind if they are interested in offering eLending services and want to guarantee the success of their project, including the possibility of bringing back some of their eReading patrons who may have disconnected from their libraries in the last few years.

Clearly, there are a wide variety of models available for libraries to make the best decisions possible for their needs and for the needs of their patrons.

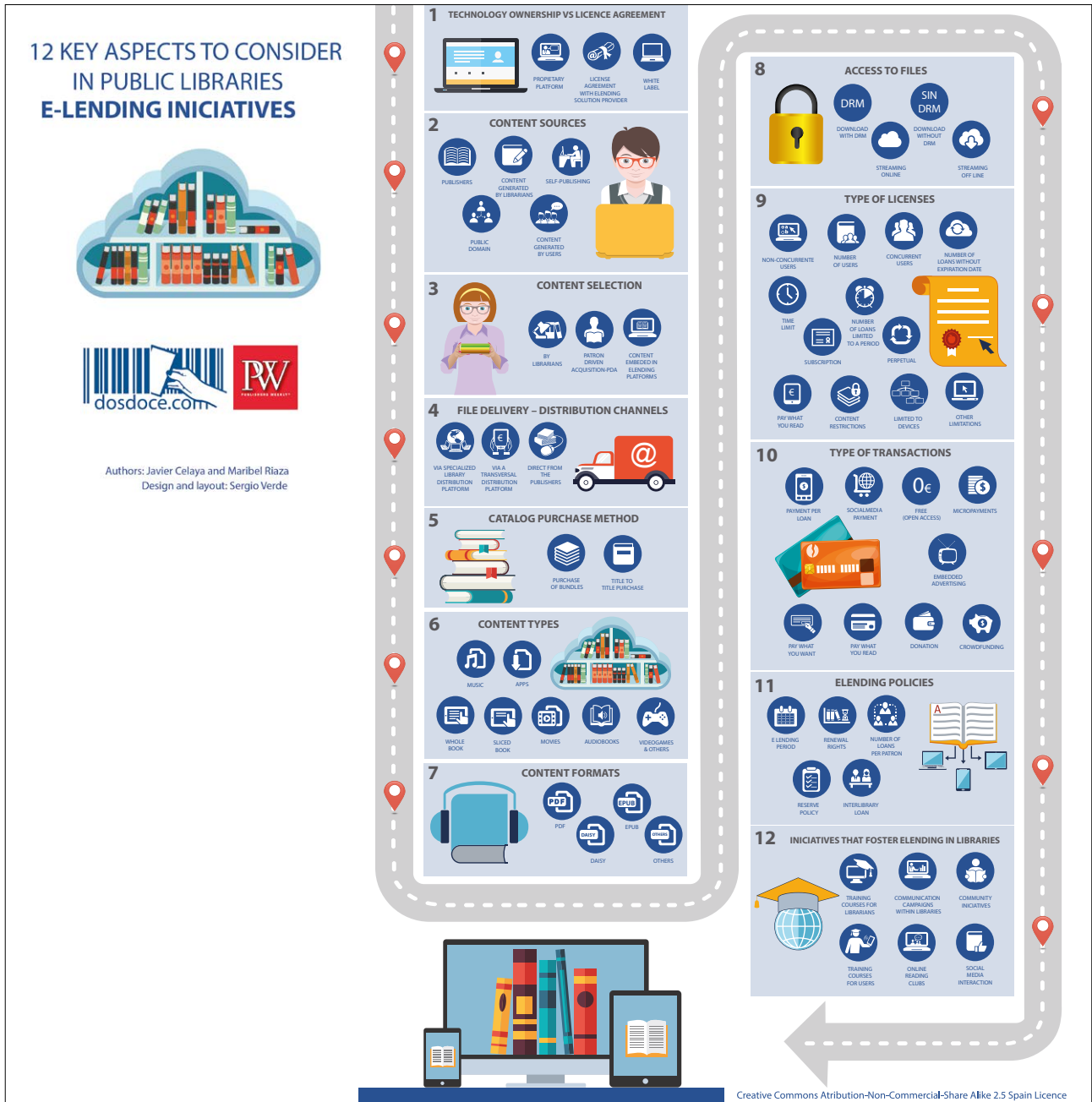


Figure 19. 12 Key Aspects to Consider in Public Libraries eLending Initiatives. Source: [dosdoce.com](http://dosdoce.com)

## 2.8. RIGHTS LICENSING PLATFORMS

In the pay-per-use section, a pioneering initiative in Spain was discussed. This initiative, *conlicencia.com*, is a platform that has been developed by the Spanish Reproduction Rights Centre (*Centro Español de Derechos Reprográficos* - CEDRO) for the online sale of pay-per-use licenses to reproduce books, magazines, and newspapers in Spanish and other languages. This type of platform is part of a new trend in the publishing sector. The recent partnerships between two of the most important book fairs in the world and online rights platforms are a clear sign of the growing interest in this type of online service.

The Frankfurt Book Fair recently announced that it had invested in [IPR License](#), an English marketplace platform that puts publishers and literary agents together to buy and sell rights through its website. This joint venture will allow the platform to reach a much wider audience of professionals while at the same time positioning the Frankfurt Book Fair as one of the top events supporting digital initiatives.

The London Book Fair too announced recently that it had paired with [PubMatch](#), an English platform with over 10,000 users who buy and sell rights online all year long.

These two partnerships show that international fairs are beginning to realize the added value this type of platform can have for publishers and agents. These platforms allow book fairs to provide yearlong service to book world professionals and not just at their yearly events.

For the last few years, several platforms such as Publishers Marketplace, LiteraryMarketPlace.com, Orights, IPR License, INBOOKER, PubMatch, etc. have been operating internationally to provide services for publishers and agents interested in buying or selling rights in English-speaking markets. [Publishers Marketplace](#) is one of the oldest of these platforms, having operated on the Internet for over 10 years. Publishers Marketplace's database contains 75,000 records, in addition to daily reports on the transactions that are taking place, and detailed information on and the contact details of thousands of professionals in the English-speaking sector.

[LiteraryMarketPlace.com](#) is the literary directory for the American and Canadian publishing sector. For many years, LiteraryMarketPlace.com has been the essential tool used in more than 180 countries worldwide by practically everyone interested in these two markets. This powerful tool, which allows users to perform advanced searches, has information on over 30,000 professionals, companies, books, magazines, awards, courses, and events.

Since 2012, the focus of IPR License has been on creating direct interaction between publishers and agents interested in buying and selling international rights. IPR License gives its users access to almost 13 million records thanks to the platform's intelligent search engineering interface.

PubMatch's focus is also on providing direct interaction among its 10,000 users from 15 countries, in addition to offering them online copyright purchasing services. PubMatch's database, which allows users to perform advanced searches, includes 100,000 titles, mainly from the English-speaking publishing sector, though it is also open to the rest of the markets.

Although the [Orights](#) and [INBOOKER](#) platforms began operations in Asia, their hope is to one day become international intermediaries.

[The Spanish Bookstage](#), a product of this context, is a new technological platform that allows publishing-sector professionals to stay up-to-date on everything related to the buying and selling of rights for books in Spanish around the world.

The aim of The Spanish Bookstage is to provide the same services as the other platforms described earlier but only to those publishers and agents interested in buying and selling rights for books in Spanish from Spain and Latin America<sup>123</sup>. The platform's main objective is to gather all of the information on Spanish-speaking markets in one location and to provide complete, quality, up-to-date, trustworthy content to its users in order to promote commercial exchanges between publishers and literary agents.

On The Spanish Bookstage's website, professionals interested in books in Spanish can receive real-time information on everything related to the purchase and sale of rights for books in Spanish and they can access a comprehensive registry of all of the professionals and all of the sector's activity in the Spanish-speaking world. This initiative, led by Martina Torrades and Anna Ascolies, two veteran literary agents and publishers, is the result of the growing interest in the Spanish language and its associated publications. The intention of The Spanish Bookstage is to satisfy the unmet demand and to be a part of the new web tools that are being developed in response to the necessary digital transition that is currently taking place.

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123 See <http://www.todoereaders.com/spanish-bookstage-una-plataforma-interesante-para-libros-en-espanol.html>



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# 3. The current state of eCommerce and the evolution of payment models

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Saying that the Internet has changed how people interact on all levels, from communication to commerce, is hardly a ground-breaking statement. However, it cannot be ignored that the universal nature of the Internet and its ever-increasing number of users, together with all of its underlying new technology, have made it necessary for all types of industries to rethink their business models.

Over the last 20 years, the evolution of business has in many ways been truly revolutionary: Companies have gone from the face-to-face sale of consumer goods (both imports and exports) distributed by traditional transportation methods to the current situation in which customers now have the possibility of ordering and buying products at the click of a button.

When the Internet appeared on the business scene, companies were forced to speed up their attempts at improving efficiency and better adapt their services to the demands of consumers. This push to optimize the company-consumer relationship made it necessary for companies to review their “value chain” to see how each of the links were holding up under the added stress and to eliminate any links that were no longer needed.

With the arrival of eCommerce and eBusinesses, the way technology-based business models are conceived has had to be reexamined given that, at times, these models require non-technological strategies. These new business models do not have the same time, space, or geographical limitations that earlier models had to face. These models have both helped streamline the marketplace, giving it greater flexibility and agility, and are responsible for accelerating global expansion, thus improving company-consumer relations.

In order for companies to be successful in the new economy, they need to make the transition to becoming more digital. This transition is happening in every sector. Now more than ever, the economy is evolving to the point where changes are practically happening in real time. Those traditional business transactions in which companies offered their products, distributed them, the products arrived at the retailer's, and the retailer sold them to customers are long gone.

Now, all digital goods can be marketed in any number of ways using business models that are more or less flexible. Some of these models are blended models while others have adopted customized, in-time solutions. This means that companies looking to stay up-to-date in order to keep up with the pace of the digital economy need to implement technological solutions and strategies that can adapt to constant changes.

Today, the Internet puts customers in control of transactions whereas in the past, retailers told customers when they could shop and what they could buy. Online consumers now have free choice over when and where they want to spend their money.

The Internet provides consumers with every shopping option imaginable and the opportunity to find the best price for what they are looking for. C2C models now exist in which companies like eBay put consumers in contact with other consumers. eCommerce has turned the tables on the traditional idea of supply and demand. Customers have never played such a central role.

eCommerce is loosely defined as any type of commercial transaction that is handled electronically, which is to say, over the Internet. These types of transactions were first used between companies that exchanged data, such as order forms, invoices, etc., with each other electronically. The business model itself started off with email before moving on to instant messaging and later eShopping carts. Web services that used to consist of transactions between businesses (B2B) have since expanded to include direct contact between businesses and consumers (B2C).

eCommerce has both reinforced and improved its competitive capabilities, not only allowing companies to communicate directly with their customers but, when used properly, also providing them with a flexible tool that can help them adapt to the numerous changes that are taking place in the digital world and to consumers' new habits. eCommerce provides companies with a unique opportunity to consolidate their positions as leaders in the digital economy.

One of the most common mistakes made, however, when analyzing the potential of eShopping carts is only focusing on the sales opportunities between businesses and consumers (B2C) when there is added potential in the integrated management of direct selling to companies and institutions (B2B) on a single eCommerce platform.

Due to the popularity of this model, many companies are considering making a move towards digital markets and creating their own eCommerce platforms. Consumers, though, are becoming more sophisticated with regards to their Internet purchases and they are not just demanding a better overall shopping experience but, moreover, better service from eCommerce platforms. eCommerce promoters, as a result, are constantly redesigning their websites to add new online features and services. Simply adding a shopping cart to a website is no guarantee of success, however. If companies do not make eCommerce the core of their marketing and sales strategies, their results in the new digital economy will forever be limited.

To really understand eCommerce and the digital content and services market (or the transformation of content into services as was seen with PlanetaHipermedia.com), it is necessary to analyze, research, and implement business models that adapt to the emerging opportunities from not just the company's point of view but from the customer's standpoint as well. Customers, it should be noted, in addition to wanting things "here and now," also look for customization possibilities and flexibility in the companies they deal with. For this reason, the business models analyzed in this report, like pay-per-fragment, pay-per-use, streaming, etc., are starting to become the new ways of doing business.

### 3.1. FROM RETAIL TO ECOMMERCE

The digital transformation that was discussed earlier requires planning in order for the investments made in the project to produce the intended objectives. The fact that this transformation is happening in a digital environment does not mean that it does not have to be adapted to consumers real-world needs.

Many businesses have been forced to close their physical stores to focus on their online stores. Others are able to juggle both models. Both systems have their advantages, but simply being on the Internet is no guarantee of success. There are, however, more opportunities in the digital environment to try and maximize certain options that, in the analog world, are fewer and far between.

One of the main obstacles standing in the way of physical stores making the transition into the digital age is their aversion to reduce their margins to compete with online stores. A business that goes online because its physical store has gone under should not be compared to a company that sees the Internet as a way of modernizing its business nor to a company that goes online in order to supplement the activity of its functioning brick-and-mortar store.

eCommerce websites and platforms need to function correctly at all times and never have any problems, and neither should their payment systems. The two main advantages that online businesses have over offline businesses are, first of all, that the former are open 24 hours a day and secondly that they are capable of serving customers around the world. In other words, online businesses are always ready to meet their customers' needs.

Google's Consumer Barometer report for Spain<sup>124</sup> provides valuable data on the use of the Internet both in Spain and abroad. Below are some of the report's conclusions:

→ Generally speaking, people around the world are becoming more and more accustomed to connecting to the Internet on various types of devices. Spaniards too consume online content (80%), connecting to the Internet most often via smartphone (31%) to perform online searches using search engines (57%), to visit social networks (51%), and to watch online videos (49%).

→ Although the majority of Spanish consumers use their computers to search for information on future purchases, they also use their smartphones (24%). In fact, for Spaniards, smartphones are an important resource to obtain advice (36%) and to compare prices (31%).

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124 <https://www.consumerbarometer.com/en/insights/?countryCode=ES>

→ According to this consumer barometer, when Spaniards search for information on the Internet on local businesses, the majority turn to search engines (87%), although others go directly to the business' website (44%). These searches, more often than not, are motivated by price (54%) and the location of the business (34%).

→ Spaniards who shop online make international purchases (55%), mainly because they find the offer appealing (51%), the conditions are better (26%) or because the seller has a broader range of goods (21%). Among the products most often purchased from international eCommerce platforms are books and music (24%), coming in second to clothing and accessories (39%).

All companies, even those in the publishing sector, need to keep this type of analysis in mind. They should therefore look into what motivates consumers when they search the Internet to find out more about the businesses around them; they should make sure that their customers are able to find the information that they are looking for on the company's mobile site; and they should also explore the potential of geolocation-based advertising and online videos to attract consumers' attention.

### THE MOST IMPORTANT DIGITAL TRANSFORMATION INITIATIVES RANKED

Each of the following describes different types of digital transformation initiatives. Please indicate how important each type of initiative is to your digital transformation efforts.

		Very important	Somewhat important
	Improving processes that expedite changes to digital properties, ie. website updates new mobile or social platforms, etc	80%	19%
	Updating our website and ecommerce programs for a mobile world	71%	25%
	Integrating all social, mobile, web, ecommerce, service efforts and investments to deliver an integrated and frictionless customer experience	70%	36%
	Updating customer-facing technology systems	66%	29%
	Further research into our customers' digital touch points, as there's more to learn	63%	36%
	Building a social media program that is more competitive against our peers	58%	36%
	Creating a sense of urgency to show executives that our digital transformation effort does not align with current plans	54%	27%
	Overhauling customer service to meet expectations of connected customers	46%	49%

Source: Altimeter Group Digital Transformation Survey, 2014. N=59.

Figure 20. Different types of digital transformation initiatives. Source: <http://altimetergroupdigitaltransformation.com/img/dt-report.pdf>

eCommerce is without a doubt central to the development of the international economy. More and more retailers are modifying their budgets to better focus on building their eCommerce platforms.

The arrival of eCommerce and digitalization, fueled by the use of mobile devices, does not mean the end of physical stores. In fact, the opposite is true. All kinds of stores, from clothing stores to bookstores to places that sell technological gadgets, are working hard to provide customers with a unique experience inside their physical stores to get them to spend their money.

The appearance of 3G technologies, like geolocation, touch screens, QR codes, etc. in the cultural sector has giv-

en many businesses countless ways to enrich their customers' experience. Bookstores are now better equipped to enlighten their customers' discovery, purchase, and reading phases regardless of whether they are interested in print or eBook versions. The shopping experience in physical stores is indeed changing at the speed of light.

Little by little, physical stores are attempting to innovate through the use of what can at times seem like futuristic technologies. Their idea is to create a new experience for customers by implementing systems that provide shoppers with an interactive and customizable experience. One of their proposals is to use tactile displays or touch screens that allow customers to order or even buy products without having to step foot inside the store or which let shoppers search for content like they do with book titles, information, etc. Another idea is to develop interactive window displays which, through the use of sensors and cameras, get passersby to stop and play or participate with them.

Critics have spoken out against the eCommerce boom, against the image of sad, lifeless cities, devoid of stores due to the invasion of technology. However, this same technology can also be used to add to people's experiences in the physical world and can, as a result, help let stores continue to thrive. Many companies are beginning to feel at home on the Internet where they can implement the various flexible and customizable business models that have been analyzed in this report.

The arrival of iTunes, eBooks, and being able to watch streamed movies at home are certainly in some way responsible for the demise of a number of record stores, bookstores, and video stores. Video games too are using more online content now than ever before, leaving brick-and-mortar stores to survive by renting or reselling second-hand games.

According to the European B2C E-commerce Report 2015<sup>125</sup>, B2C eCommerce sales increased by 14.3% in 2014 across Europe, bringing in 423.8€ billion in total revenue while B2C eCommerce turnover for the 28 member states of the European Union reached 368.7€ billion, or 87% of total sales.

It is clear, then, that eCommerce is a large part of the European economy, but in terms of job creation as well. The B2C eCommerce sector in Europe is estimated to have created 2.5 million jobs, both directly and indirectly.

The leading European countries for eCommerce are the United Kingdom, whose eCommerce business volume grew by 14.7% to 127.1€ billion; Germany, up 12.3% to 71.2€ billion; and France, up 11.2% with 56.8€ billion in total revenue.

As for mobile use, the figures continue to grow in all areas, with one of those areas being eCommerce. According to a report published by Criteo<sup>126</sup> at the end of 2015, mobile payments are expected to reach 40% of all payments made worldwide. In Spain, mobile payments currently represent 36% of the total. The overall mobile-based growth rate for revenue, according to Zanox<sup>127</sup>, is 105% with an 82% increase in transactions.

Criteo's report does warn traditional retailers, however, that the products consumers are searching for and buying on their mobile devices are the same ones they are searching for and buying on their desktop or laptop computers. While computer use may be higher during the workday, mobile devices are used more during leisure time. Smartphones are most often used in the morning (to make 28% of all purchases) and tablets are most often used at the end of the day (to make 40% of all purchases).

## 3.2. BIG DATA. THE KEY TO DIGITAL BUSINESS MODELS

If there is one advantage to eCommerce, it is surely the way it gives companies the chance to get to know their customers well. As was mentioned earlier, customers are becoming more and more central to all commercial

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125 In <http://www.ecommerce-europe.eu/press/2015/european-e-commerce-turnover-grew-by-14.3-to-reach-423.8bn-in-2014>

126 In <http://www.criteo.com/media/1894/criteo-state-of-mobile-commerce-q1-2015-ppt.pdf>

127 [http://blog.zanox.com/es/espana/wp-content/uploads/2015/03/zanox-mobile-performance-barometer-2015\\_ES.pdf](http://blog.zanox.com/es/espana/wp-content/uploads/2015/03/zanox-mobile-performance-barometer-2015_ES.pdf)

transactions and services. The importance of Big Data, now defended from every angle of commerce both in and out of the digital world, is starting to be taken seriously, sector by sector, as are all of its distinctive features.

As can be seen in *Counting What Counts: What Big Data Can Do for the Cultural Sector*<sup>128</sup>, the cultural sector is not exempt from having to focus on customers. This report provides a general overview of Big Data in the cultural sector, pointing out the primary weaknesses it found and suggesting ways to offset them, including the need for companies to redirect their focus, to be better prepared to work with the information, and to make a more complete use of the data they gather. Adopting these measures can help companies save costs and design new strategies.

Private and public-sector companies alike need a shift in mindset, they need to stop seeing data collection and reporting as a burden and actually invest in these tools.

The effective usage of data is analyzed in three phases:

- **Data on core operations** (e.g. ticket sales) which are the simplest.
- **Data specific to the digital domain** which, on occasion, are mixed with other “material” data (from outside the digital domain) giving rise to inconsistent approaches.
- **Integrated data** from both the physical and digital domains.

The report proposes three strands of work:

- **New Data Strategies.** Cultural organizations should audit their use of data, internally and externally, to establish a current baseline to which regular periodic reviews and evaluation metrics can be applied.
- **Pathfinder Projects.** Pathfinder Projects should be set up to explore approaches to data, including assessing the integration of existing data sources, data presentation/visualization, and new forms of measurement.
- **Capacity-building.** Capacity-building projects for policymakers, funders, and boards should be established to develop the necessary philosophy and skills to embed a culture of data-driven decision-making at the highest level.

Acknowledging the importance of Big Data increases a company’s effectiveness and its ability to respond to the demands of consumers and the sector itself and to the changes that are taking place.

The publishing sector is currently taking steps in this direction. Until fairly recently, publishers only had very limited data on the sale of their books. They barely knew which bookstores carried their books and how many copies had been sold. Things have come a long way since then. Publishers can now get to know their customers, readers, and even potential readers, sometimes without the need for intermediaries.

Through the use of social tools, websites, online communities, eBook sales, etc., publishers now have more opportunities than ever before to map their markets in order to be better prepared and to make better decisions. Big Data, beyond the information that third parties can provide, will soon become the prime objective of publishers. Decision making will be largely dependent on this information. In fact, the more that companies invest in this area, the greater their competitive edge will be.

A recent article in *Publishers Weekly*<sup>129</sup> discussed this new need for companies to stop relying so heavily on intuition and to instead base their decision-making on the huge volume of data that is available. According to the article, the managers and heads of several departments of well-known prestigious publishing companies said that

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128 [http://www.nesta.org.uk/publications/assets/features/counting\\_what\\_counts](http://www.nesta.org.uk/publications/assets/features/counting_what_counts)

129 <http://www.publishersweekly.com/pw/by-topic/international/london-book-fair/article/61721-london-book-fair-2014-big-data-should-publishers-even-care.html>

they planned to focus on this area from now on, stressing the value of primary and secondary data in order to procure further investments.

Logically, however, investments will have little impact if managers, in the face of clear evidence, do not make the right decisions or if companies insist on swimming against the tide because they do not know how to or do not want to interpret the signs. The digital market is expanding and, thanks to the Internet, content is now accessible even in the most unsuspected regions of the world, including countries where learning Spanish is on the rise. This makes it necessary to adopt different strategies given that the customs and habits of these consumers are not necessarily the same as those in the companies' home countries. Good management and knowing how to interpret this flow of data will be fundamental in deciding which of the many possible business models to implement.

### 3.3. FROM FREE TO DIVERSIFICATION: MOVING TOWARDS A BLENDED MODEL

One of the biggest mistakes that was made when services and content were first made available on the Internet was giving away something for free when tangible equivalents were being sold in stores. Print media is a perfect example because, as more and more of its content became available for free on the Internet, sales at newsstands fell.

Shifting from free to paid content is proving to be one of the most difficult, if not traumatic, tasks that companies are having to do. Some of these companies now need to compete online just to stay alive and to maintain their physical-world stores and products.

The old Internet model that was largely supported by free content, investor funding, and extreme advertising revenue, eventually burst leading many companies to try to charge users for access to their online content to varying degrees of success. Such was the case of Microsoft which had ventured into the online magazine business with Slate. After initially offering free content to all of its users, the magazine later tried to charge for subscriptions to little avail. In September 2007, after years of trying, The New York Times too abandoned its efforts to charge readers for access to its editorial section. The newspaper has since looked for new, more flexible models, some of which were seen earlier.

It is difficult to convince users and customers who, through no fault of their own, have grown accustomed to some form of free content on the Internet to start paying for everything, which is one of the keys to the business models that were analyzed earlier.

These new paid models have appeared as a way of providing users with fair and proportionate content. They help consumers understand that, although the content may no longer be free, it does not have to be "all or nothing" either. Consumers, rather, should be encouraged to purchase what they really want, when they want it, and at a reasonable price. Satisfying consumers' needs and making them feel like they have acquired a service or content at a fair price thanks to a business model that was developed with them in mind is greatly contributing to dispelling the idea that everything on the Internet should be free.

The idea of free everything, so touted by Chris Anderson and other big names in the field, has only worked in a few companies, most of them search engines and telephony companies. Companies that create content, whether media outlets or publishers, have seen little return on their investment. Online advertising, though growing, currently does not generate enough revenue to support digital publications.

"Free" is not the same as "freemium." Freemium is always accompanied by its pay counterpart, premium. Making a portion of content available for free, like the first few chapters of a book, video game teasers, etc., does not mean that the content is being given away but rather that consumers are being given the chance to get to know the product before purchasing it. Many times, free is nothing more than a marketing ploy, and marketing in and of itself is not a business model on which direct income can be based.

When talking about eCommerce and business models, another of the mistakes that was made has to do with the expectations of the Long Tail theory and its relative success. In the publishing sector, a large chunk of this myth is based on hyped-up claims from Amazon and Chris Anderson on the subject.

However, a 2010 study<sup>130</sup> which surprisingly did not have the impact that it could have had given the uncertainty of the times during the digital transformation, rejected the Long Tail theory. The authors of the study found that the long tail has in fact grown longer over time, with niche books accounting for a larger share of total sales. In other words, this phenomenon is actually a permanent shift and not just a short-lived trend, as was originally thought.

The analysis section of the study reported that, in 2008, niche books accounted for 36.7% of Amazon's sales and that the consumer surplus generated by niche books had increased at least five-fold since 2000. However, Amazon's ability to sell books that were extremely niche was being challenged.

Sales figures have shown that the expectations of the long tail were overestimated as was Chris Anderson's theory on free digital content since, contrary to what Anderson thought, sufficient revenue is not generated by niche sales to support digital businesses. In reality, these sales are only a supplement to the total sales that sustain a business since, even though the Internet increases a company's exposure, there is no guarantee that niche sales will take off.

This does not mean to say that the long tail should be underestimated or that it does not exist. A business model, no matter how digital it is, cannot base its hopes on niche books. Despite the increasingly effective tools for discovering and recommending books, new releases are still responsible for the majority of sales.

That said, some of the models analyzed in this report, which are largely based on recommendations, like Netflix, actually support the long tail movement through subscriptions and data collection (Big Data).

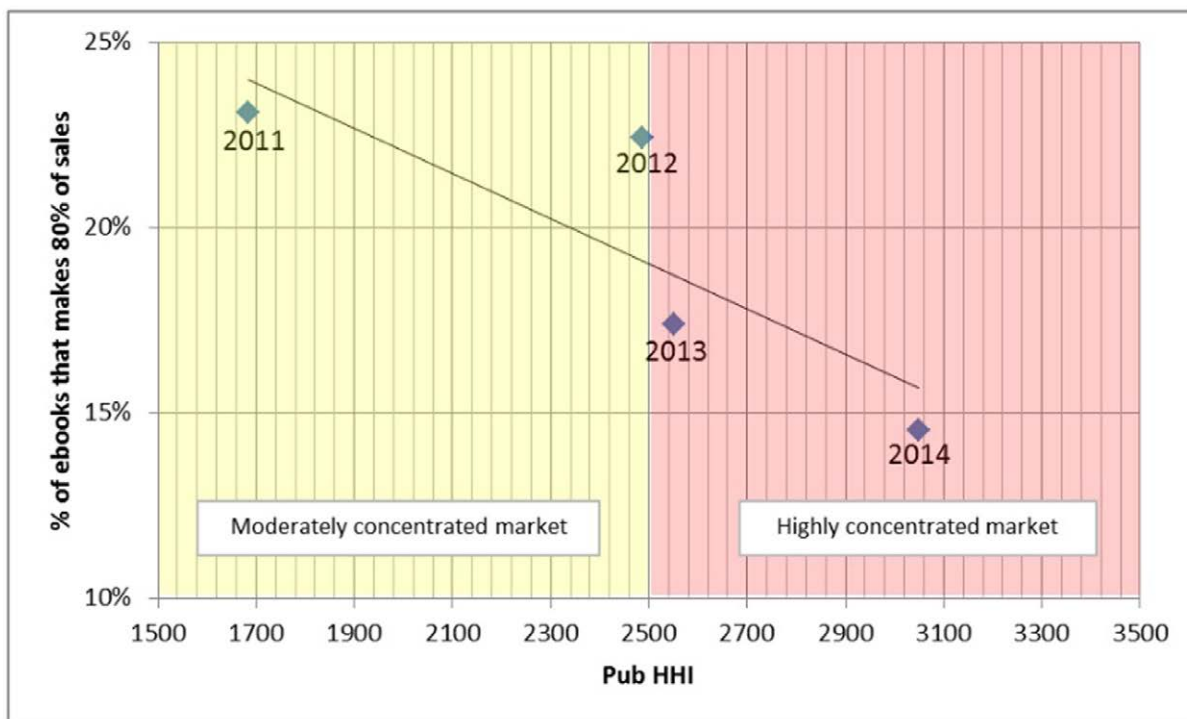


Figure 21. The Lost Tail: The Myth of Book Publishing's Long Tail. Source: <http://www.digitalbookworld.com/>

130 [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1679991](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1679991)



A recent report entitled *The Lost Tail: The Myth of Book Publishing's Long Tail* concludes that the long tail is disappearing as the eBook market grows. As the market share of global players increases, the impact that small and independent retailers have on sales diminishes dramatically. Though the overall eBook market has expanded significantly, bestsellers continue to take the lion's share. In other words, according to the conclusions of the report itself, the head has grown faster than the tail.

Digitalization has brought with it the need for companies to experiment with their business models in order to come up with the perfect balance. This can be accomplished by blending together several models that adapt the possibilities of their content and access to it to the particular and immediate needs of their customers.

If there is something that characterizes the new digital economy, it is that businesses cannot limit themselves to having a single focus. Instead, every business needs to have several diversified focuses in order to reach the different segments of a market that is much more varied and flexible than in the analog world. In the digital marketplace, the concepts of local and distant are oftentimes irrelevant conditions for distributing and selling. As a result, there is a need to combine business models, to create blended models, and for book-world companies to be able to achieve economic sustainability and satisfy their customers/readers expectations.

### 3.4. DIGITAL EVOLUTION AND TRENDS IN LATIN AMERICA

Although the progress being made in the publishing sector and advances in digital culture are not taking place at an even pace in Latin America, technology and eBooks still provide a wide range of business opportunities for the book world across the continent. The increase in the number of eBooks published in Latin America, the growing importance of eReading, and the increasingly important role of the Internet as a distribution and marketing channel for books all point to the possibility that the digital market will continue to expand in the majority of Latin American countries.

Breaching the digital divide can be a challenge for the economies of Latin America, so, in order to modernize, these economies need to, among other measures, encourage the use of new technologies and the Internet in areas such as business, industrial processes, and politics. It is therefore essential to stimulate and promote the creation of public policies that support the implementation of broadband service, which will contribute to a steady increase in GDP for all of the countries in the region. Increasing bandwidth, together with 3G technology, will lead to an increase in mobile eCommerce in the entire region given that current mobile phone ownership in the entire continent is greater than 84%.

## CHALLENGES AND OPPORTUNITIES

According to a report released by the eBook distribution platform Bookwire<sup>131</sup> entitled *Evolución y tendencias digitales en Latinoamérica* (Digital Evolution and Trends in Latin America), several challenges and opportunities lie ahead of the digital publishing sector in Latin America over the next five years:

- The first stage of the digitalization of the book industry needs to be focused on production. After that, Spanish and Latin American publishers will then have to adopt digital sales and distribution strategies across the continent and in the major bookstores and libraries around the world.
- New ways of discovering books and new sales channels that go beyond physical bookstores will need to be created. The advances that the Internet is currently making in the region are changing people's habits and how consumers are able to access cultural content from anywhere and at any time.

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131 <http://www.dosdoce.com/2015/04/30/las-oportunidades-del-libro-digital-para-la-edicion-en-espanol/>

- Once the decision is made to embrace digital publishing, the national publishing markets in the major Latin American countries will begin to consolidate.
- The digital age provides governments and publishers with new opportunities to boost the number of readers in the region. Libraries will be key in implementing this objective.
- Physical bookstores, the primary commercial channel for books in Latin America, will need to embrace new technology in order to maintain their presence in the digital age.

In conclusion, it is becoming clearer every day that print-version books are going to quickly lose ground in all non-store retailing channels across Latin America. However, this change will bring with it enormous business potential for those publishers that are at the forefront of the creation of new institutional B2B sales channels. If publishers are able to implement new business models and digital business networks in this continent, they will have a solid and sustainable competitive edge. One of the keys to the digital market in this region is not being afraid to implement innovative business models that give libraries, universities, schools, and government institutions access to these models and to marketable content.

# 4. Conclusions

Evolutionary changes in the age of the digital economy show that the new business models are nothing if not a constant attempt at providing better customer service, though not in the traditional, obvious ways, but rather customer service that is openly flexible and user-friendly and possibly even co-designed by customers themselves.

The aim of this report is to help professionals in the creative industries design the right blend of business models to meet the demands of each and every one of their customers. It is also hoped that the business models analyzed here can help these professionals get a good sense of the advantages and disadvantages of each of the models and how they would fit into their own particular cases.

Success in choosing one business model over another will depend in part on the size of the company, the focus of its catalog, on how well the company understands its customers' needs, etc. The objective of this report, then, is to give readers a broader view of the numerous opportunities that the new business models offer in the digital age as well as to clear up any doubts and dispel any preconceptions that they may have. It is hoped that this report has helped readers reflect on how these models can be integrated into business strategies, whether that business is a publishing house, a bookstore, a library, an online store, a distribution platform, or a media outlet.

# 5. Acknowledgments / Authorship

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## ABOUT THE LONDON BOOK FAIR

The London Book Fair is the global marketplace for rights negotiation and the sale and distribution of content across print, audio, TV, film and digital channels. In 2016 the fair will take place at Olympia, West London, and cover all aspects of the publishing industry.

Celebrating its 45 year anniversary in April 2016. Staged annually, LBF sees more than 25,000 publishing professionals arrive in London for the week of the show to learn, network and kick off their year of business.

More than 60 countries regularly exhibit and there are around 1,000 overseas companies. Our exhibitor list is fully searchable so take a look and plan who you need to see.

The London Book Fair exists to help people through the shifting terrain that is the publishing industry.

Gathering people together and creating the space for them to make connections is what we're about. That includes the three days of the Fair itself as well as other opportunities throughout the year, including our meet-ups, seminars and events which take place all over the world.

The London Book Fair sits at the heart of [London Book & Screen Week](#), and takes place on the 12-14 April 2016.

More information at [www.londonbookfair.co.uk](http://www.londonbookfair.co.uk)

## THE QUANTUM CONFERENCE

### **Publishing & So Much More**

Monday 11 April 2016 will see the launch of our NEW Monday conference, Quantum, which will replace the hugely popular Publishing for Digital Minds. Quantum will deliver a data-driven overview of the global publishing industry and its place in the wider content industries.

Quantum will act as the launch pad for The London Book Fair, offering delegates an unmissable blend of new research, insight, networking and inspiration.

More information in this link [www.londonbookfair.co.uk/quantum](http://www.londonbookfair.co.uk/quantum)

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CEDRO's mission is to improve the conditions in Spain for the creators of written culture (writers, translators, journalists, and publishers) and to provide legal access to books, periodicals, and other publications published in any medium or in any format. CEDRO was authorized to perform this role by the Spanish Ministry of Culture in 1988, as part of Spain's Intellectual Property Act.

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## ABOUT DOSDOCE.COM

dosdoce.com is a website dedicated analyzing new technologies in the book world. Since its launch in 2004, dosdoce.com's objective has been to encourage publishers, booksellers, libraries, museums, foundations, etc. to incorporate all kinds of technology into their activities and to get them to better understand the implications and benefits that using technology can have for their organizations.

Over the years, dosdoce.com has published upwards of 35 studies and reports on the use of new technologies in different areas of cultural industries. In November 2005, dosdoce.com published its first study *El papel de la comunicación en la promoción del libro* (The Role of Communication in Book Promotion). In 2006, two new studies were released - *El uso de las tecnologías Web 2.0 en entidades culturales* (The Use of Web 2.0 Technologies by Cultural Entities) and *Los retos de las editoriales independientes* (The Challenges Faced by Independent Publishers). In October 2007, *Tendencias Web 2.0 en el sector editorial* (Web 2.0 Trends in the Publishing Sector) was published. In October 2008, *La digitalización del libro en España* (Book Digitalization Trends in Spain) was published in conjunction with the social network Ediciona. In early 2009, *Visibilidad de las ciudades en la Web 2.0* (City Visibility in the Web 2.0) was released, then in October came *La visibilidad de los museos en la Web 2.0* (The Visibility of Museums on the Web 2.0), and finally in November of that same year *La digitalización del libro y uso de las redes sociales* (Book Digitalization and the Use of Social Networks) was published. In 2010, *La visibilidad de las galerías de arte en la web 2.0* (The Visibility of Art Galleries on the Web 2.0) was published as was *Chuleta de las redes sociales* (Social Network Cheat Sheet), which has been downloaded more than 20,000 times. Publication of the second edition of the study *Las galerías de arte en la web 2.0* (Art Galleries on the Web 2.0) kicked off 2011, and midway through the year *Fútbol 2.0* (Football 2.0) was released, which analyzed how football clubs are incorporating 2.0 technologies into their communication strategies and into the promotion of their teams, players, events, etc. The year ended with the publication in September 2011 of *Industria editorial 2.0* (Publishing Industry 2.0), followed in November by *Conexiones entre museos en las redes sociales* (Museum Connections on Social Networks), the infographic *Derechos de los usuarios en la nube* (Users' Rights in the Cloud), along with versions in Catalan, English, and Portuguese of Social Network Cheat Sheet.

dosdoce.com kicked off 2012 with the release of *Cronología de la edición digital (1912-2012)* (Digital Publishing. A Chronology (1912-2012)), the Catalan and Basque versions of the infographic *Derechos de los usuarios en la nube* (Users' Rights in the Cloud), and the results of the survey *Anatomía del perfil del editor digital* (Anatomical Profile of the Digital Publisher). In September 2012, *El directivo y las redes sociales* (Social Media and Management) was published in partnership with the Fundación CEDE and the BPMO Edigrup.

2013 began with the publication of dosdoce.com's new study *Cómo colaborar con startups* (How to Collaborate with Startups), a discussion paper on how to improve relationships between companies in the book world and startups in the technological sector. In May of the same year, a new study entitled *Los museos en la era digital* (Museums in the Digital Age) was released. The team at dosdoce.com ended the year by publishing *Global eBook*, which analyzes the rapid evolution of eBooks in the US and UK markets and provides detailed information on the developing eBook markets in Europe, Brazil, China, India, Russia, and the Arab world.

In 2014, dosdoce.com published six new studies. It kicked the year off with the publication of *Apps educativas* (Educational Apps), which provides an analysis on the rise of these tools as new pathways to knowledge. Subsequently, dosdoce.com published *Chuleta digital para las bibliotecas* (Digital Roadmap for Libraries), an infographic intended to be a reference source for book-world professionals who want to know more about how new-generation technology can be applied in different library settings.

Together with *Acción Cultural Española* (Spanish Cultural Action, or AC/E), dosdoce.com published the first *Anuario AC/E de Cultura Digital* (AC/E Digital Culture Annual Report) in April, with plans for it to become an annual ref-

erence source to analyze the evolution of digital trends in one particular cultural sector per year. The Annual Report is structured in two main parts. The first part provides an analysis of the digital trends in the cultural world through nine transversal essays, written by experts on the subject matter that touch upon every sector. The second part provides a case study for good practices, both in Spain and abroad, that identifies and explains the impact that new technology is having on a specific cultural sector (in this first edition, the focus was on the performing arts) and emphasizes examples in which the implementation of technology has been successful.

In June 2014, dosdoce.com published a report in collaboration with Biografías Personales on the impact that self-publishing has had on the publishing sector. The aim of this report, *Autores independientes: La irrupción de la Revolución Indie* (Indie Authors: The Self-Publishing Revolution), was to provide book-world professionals (whether they were publishers, agents, authors, booksellers or librarians) with a broad analysis of the impact that self-publishing has had on the publishing sector so that they could take advantage of the business opportunities and the potential of self-publishing.

Together with Publishing Perspectives and Actualidad Editorial, dosdoce.com published the second edition of *Guía de Autores de la Feria del Libro de Frankfurt* (Authors Guide to the Frankfurt Book Fair) in September 2014 which contained all types of advice, suggestions, and recommendations to help authors make the most of their visit to Frankfurt.

Finally, 2014 was brought to a close with *Nuevos modelos de negocio en la era digital* (New Business Models in the Digital Age) written for the launch of CEDRO's conlicencia.com platform which gives users access to more than 6 million works in Spanish.

In 2015, dosdoce.com released five new studies and infographics. It began the year by publishing an infographic entitled *Aspectos clave a tener en cuenta en el préstamo digital* (12 Key Aspects to Consider in Public Libraries eLending Initiatives), which is hoped will become a reference source for library professionals interested in learning more about the 12 keys to successfully launch an eLending project in public libraries and school libraries.

Together with Acción Cultural Española (AC/E), dosdoce.com published the second *Anuario AC/E de cultura digital* (AC/E Digital Culture Annual Report) in March 2015. This year, the annual report focused its attention on analyzing the impact of the new technologies in the museum world.

dosdoce.com, together with Bookwire, the leading distributor of eBooks for independent and specialized publishing companies, published a report in April 2015 entitled *Evolución y Tendencias de los mercados digitales en Latinoamérica* (Evolution and Trends in the Digital Markets of Latin America). This report provides a series of key statistics and perspectives to help professionals in the publishing sector from around the world understand the transformation that is taking place in the Spanish- and Portuguese-speaking markets, as well as the business opportunities associated with this transformation.

In September 2015, together with Biografías Personales, dosdoce.com published the second update of its report *Autores indies: El auge de la autoedición* (Indie Authors: The Rise of Self-Publishing). The aim of this edition is to give book-world professionals, whether publishers, agents, authors, booksellers, or librarians, a broad analysis of the impact that self-publishing is having on the publishing sector so that they may determine what their business opportunities are and what benefits this activity can give them.

Dosdoce.com, also in September 2015, published its *Guía de modelos de compra de licencias de eBooks* (Guide to Purchasing eBook Licenses). It is hoped that this document will become a reference guide for library professionals interested in the singularities and the key points to consider when choosing a model for the acquisition of digital content.

Dosdoce.com ended 2015 by releasing the second edition of the CEDRO-sponsored report *La evolución de los nuevos modelos de negocio en la era digital* (How the New Business Models in the Digital Age Have Evolved). The objective of this report is to provide book-world professionals, whether publishers, agents, authors, booksellers, or librarians, with a broad and up-to-date analysis of the business models available on the Internet so that they can determine what the business opportunities and benefits derived from these models are for them.

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