

Five Years On

*Continuing challenges for the Dutch e-book
market*

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INTRODUCTION

A little over five years ago, the Dutch e-book market effectively took shape: while there had been experimenters before, it was the partnership between national online retailer bol.com and device manufacturer Sony that brought e-reading to the broad market.¹ Since then, the Dutch e-book market has been flooded with new retailers—over 190 in all, ranging from small niche shops to international sellers.² Simultaneously, the number of potential digital readers continues to grow as well—over one million Dutch consumers now own an e-reader, while almost 7.5 million own a tablet.³ Last year, for the first time ever, over two million Dutch e-books were sold. In terms of potential audience, actual e-book sales and retailing infrastructure, the Dutch e-book market has grown much in the last five years.⁴

Yet at the same time, the annual market growth over the past five years has been smaller than expected. Professionals estimated that in 2012, e-books would already be at a market share of 5% of the entire Dutch book market, with further exponential growth ahead.⁵ In reality, this growth rate has proven to be much more level—the 5%-benchmark was not reached until the end of 2014, a good two years later than estimated.

¹ 'Bol.com en Sony breken de digitale boekenmarkt in Nederland open', *bol.com*, 26 August 2009, <<http://pers.bol.com/2009/08/bol-com-en-sony-breken-digitale-boekenmarkt-in-nederland-open>> (18 September 2014).

² 'E-books in cijfers: de ontwikkelingen van e-books in het Nederlandse taalgebied (Q2 2014)', July 2014, <http://www.cb-logistics.nl/wp-content/uploads/2014/07/14.0647-Infographic_V6.jpg> (28 August 2014).

³ 'E-books in cijfers: de ontwikkelingen van e-books in het Nederlandse taalgebied (Q2 2014)', July 2014.

⁴ V. Elzinga, 'CB distribueerde 1,95 mln e-boeken in 2013', *Boekblad.nl*, 14 January 2014, <<http://www.boekblad.nl/user/cb-distribueerde-1-95-mln-e-boeken-in-2013.224774.lynkx>> (16 July 2014).

⁵ J. Boezeman, 'Analyse: de afvlakkende groei van e-books in Nederland', *Boekeman*, 3 June 2013 <<http://boekeman.blogspot.nl/2013/06/analyse-de-afvlakkende-groei-van-e.html>> (15 May 2014).

This thesis sets out to describe and analyse a number of developments across the Dutch e-book market, all of which occurred in the past five years. By analysing these developments and their implications for the e-book market, this thesis will establish that the main challenge for the Dutch e-book market is in combining future market development with maintaining a certain value for the e-book, while balancing the interest and goals of different parties in the industry.

The first chapter will focus on the process of product adoption in the e-book market. A number of psychological adoption drivers will be discussed, the most influential of which is the balancing of gains and losses by individual consumers. If a new product can provide ample advantages or added value for a consumer, then adoption can be worthwhile for him. But different consumers can have very different ideas on what constitutes a gain and what a loss. For some consumers, the e-book already offers interesting benefits in the form of weightlessness for example, but other readers may see no added value in e-reading: in fact, figures suggest that the latter group is growing. This can have a severe impact on future adoption, especially now that e-book growth rates seem to be stagnating.

The second chapter will focus on pricing strategies used by Dutch publishers. Pricing of digital books is one factor that has been given much attention across studies and comparative reports—according to the Global E-book Report (update Spring 2014), pricing strategies are ‘one of the key references for the understanding of the status and the evolution of a given market’.⁶ For the first years, high e-book prices were heavily criticised because there was a wide difference between the price which publishers deemed fair based on costs incurred and what consumers deemed fair based on value perceived. In the last two years, a number of publishers have worked to decrease this difference, showing that the book industry can move towards the consumer in their business. However, this is a challenge in itself

⁶‘Global Ebook: A report on market trends and developments’, April 2014, p.102.

as the interests of the consumers do not necessarily align with those of publishers themselves of their authors.

The third chapter will focus on technological advances in terms of software, hardware and technological companies now active on the Dutch e-book market. In terms of software, Dutch e-books have moved from restrictive Adobe Digital Rights Management (DRM) which was notoriously consumer-unfriendly to social watermarking. This shift has made e-book consumption a much easier process for readers. As for hardware, which in the case of e-reading is a necessary intermediary, e-reading devices have become increasingly affordable to readers, lowering the initial costs and thereby making e-reading accessible to a wider audience. Especially the price development of e-readers is relevant as this device is preferred by most consumers.⁷ However, these new developments have also brought along a number of international technological companies which now operate in the Dutch book industry. Their presence is being experienced as disruptive, because their interests, their business goals are radically different from those of other actors in the field. This puts further strain on the different interests which exist in the market, of which value is one of the biggest stakes.

The fourth chapter will showcase some of the most recent developments in the Dutch e-book market, both from within the publishing sector and from without. While publishers remained hesitant of digital publishing in the first years, 2014 has been a tumultuous year full of new initiatives for the digital reading field. Some of these initiatives might prove to be more successful than others, but each of them has proven in one way or other to be able to reach new target groups for digital books by changing the current e-book proposition in a way that appealed to consumers. This suggests that there is room for new e-book ideas, new ways of delivering content to consumers.

⁷ E. Witte, B. van Nood, 'Boekenbranche: Kwantitatief onderzoek naar digital en niet-digitale lezers', *GfK Research*, October 2014, <www.kvb.nl/stream/smb-30-rapportage-pdf>(5 April 2015), p. 39.

But in discovering and experimenting which such new ways, it is a challenge to combine all different interests of joined parties while maintaining value for the content itself.

In the final chapter, this thesis will conclude by outlining the main challenge for the Dutch e-book market in the coming years. Throughout the chapters, it will be argued that over the past five years, the book industry in the Netherlands has greatly improved practical circumstances for consumers by adjusting pricing, by making e-book consumption easier without Adobe DRM and making more content available. Last year has been a preview of sorts for the coming years, in which the book industry will be challenged to review the very product of the e-book and service of e-reading itself, and maybe question whether these are still in line with consumer expectations.

CHAPTER ONE

FACTORS MILITATING AGAINST THE ADOPTION OF E-READING

All too often, consumers fail to buy products that companies expect them to adopt. The reason may lie less in the economic value of physical products and more in the minds of people. – John T. Gourville⁸

1.1. Introduction

Reading (print) books is a strongly rooted tradition in the Netherlands—for such a small country and language area, it has an almost excessive number of book selling points and literary publishers. Not only that, but reading as an activity is heavily stimulated both for children and adults.

Like any new product, the e-book then faces a number of challenges when entering the market, all of which can potentially prevent the product from being fully adopted. Since the e-book offers an alternative to reading from printed pages, the first challenge is how to compete with the current dominant reading method being used, the print book. The main question here is what can the e-book offer the reader to use this alternative—and is that reason enough to sway all potential readers? As the world has become increasingly digitally minded, print books are not the only reading method—consumers can also be enticed by the pirated content. The second challenge is then to add enough value to the e-book as a product or as a service that consumers are willing to choose to pay for legal offers over the free offer of piracy. A number of new digital content services have proven that this is

⁸J. Gourville, 'Eager Sellers and Stony buyers: Understanding the Psychology of New-Product Adoption', *Harvard Business Review*, 1 June 2006, Vol. 84(6), p. 106.

possible, though certainly difficult. Only if the e-book is able to meet these two challenges does it have any chance at placing itself in the Dutch market as a viable, sustainable alternative to print reading.

1.2. Book culture in the Netherlands

Providing a small and densely populated country like the Netherlands with reading material would not necessarily require a large number of bookstores. But the contrary is true; the country is filled with them, even now after many shops have already had to close their doors due to bankruptcy. Last year, there were 1,575 registered bookshops and book-selling kiosks—or 0.09 per every 1,000 citizens.⁹ In 2013, the United States had 12,703 registered bookshops—to reach that same density, the country would need to have at least three times as many bookshops.¹⁰ Living in the Netherlands, a reader never has to go far to find a place to buy a new book, and that does not even take into account the countless options for home delivery by brick-and-mortar shops and online shops.

As an activity, reading is stimulated at a young age with the Kinderboekenweek (The Children's Book Week) and the Nationale Voorleesdagen (National Days of Reading to Children). During these campaigns, parents are stimulated to read to their children, but also to let children practise with their own reading skills as much as possible with picture books and baby books. Reading is an enormous factor throughout the entire schooling programme, but the promotion of reading does not end at graduation. In the Netherlands, the Stichting Collectieve Propaganda van het

⁹Rabobank Cijfers & Trends: Een visie op branches in het Nederlandse bedrijfsleven, Boekhandels', *Rabobank Cijfers & Trends*, 39th edition 2014/2015, <<https://www.rabobankcijfersentrends.nl/index.cfm?action=branche&branche=Boekhandels&p=9>>, (15 April 2015).

¹⁰G. Habash, 'Bookstores in America: a state-by-state guide', *Publishers Weekly.com*, 1 June 2013, <<http://www.publishersweekly.com/pw/by-topic/industry-news/bookselling/article/57631-where-the-stores-are.html>> (12 April 2015).

Nederlandse Boek (CPNB; a foundation for the Collective Promotion of the Dutch Book) hosts events throughout the year to promote reading amongst adults: this includes a range of literary awards, the annual Book Week and the campaign Nederland Leest where one Dutch title is distributed for free through libraries so that each library member is invited to read the same book at the same time.¹¹ Whether attributed to the CPNB's campaigns or not, the Dutch are relatively heavy readers when compared to other European readers; on average, the Dutch read 8 minutes more per day than the overall European average.¹² In this research, only the Finnish and the Germans read more than the Dutch.

But while the Dutch are characterized as heavy readers, their book purchases have been declining rapidly. In 2009, the Dutch book market still reached a turnover of €642 million in general book sales, but after that, sales have been decreasing annually.¹³ Last year, general book sales generated a turnover of €466.7 million, which is down 7.9% compared to 2013 and down 27.3% compared to 2009.¹⁴ However, sales figures of the first months of 2015 suggest that the tide may be turning for the Dutch book market. During the annual Book Week, sales increased by 5.9% compared to the same week in 2014.¹⁵ How this recovery will continue throughout the year remains to be

¹¹ 'Alle campagnes', *Stichting Collectieve Propaganda van het Nederlandse Boek*, <<http://web.cpnb.nl/cpnb/campagneoverzicht.vm?template=campagnes>> (16 July 2014).

¹² M. Cloin, C. Kamphuis, M. Schols, A. Tiessen-Raaphorst, D. Verbeek, *Nederland in een dag: Tijdsbesteding in Nederland vergeleken met die in vijftien andere Europese landen*, (The Hague: Sociaal- en Cultureel Planbureau, 2011), p. 92.

¹³ 'Omzet algemene boeken', *Sectorinstituut Openbare bibliotheken*, <<http://www.siof.nl/bibliotheekmonitor/trends-media-informatie/boeken/boekomzet/item91>> (14 July 2014).

¹⁴ 'Dossier Algemene boekenomzet 2014', *Boekblad.nl*, <<http://www.boekblad.nl/dossiers/dossiers-c/dossier-cijfers-uit-het-boekenvak/dossier-omzet-algemene-boeken-2014.224740.lynkx>> (14 July 2014).

¹⁵ R. van Lonkhuizen, 'Boekenweek 2015 zorgt voor stijging boekenverkoop van 5,9%', *NRC.nl*, 23 March 2015, <<http://www.nrc.nl/boeken/2015/03/23/boekenweek-zorgt-voor-omzetverhoging-van-68-procent/>> (12 April 2015).

seen, but it may be the case that the Dutch book market is slowly recuperating from the past years.

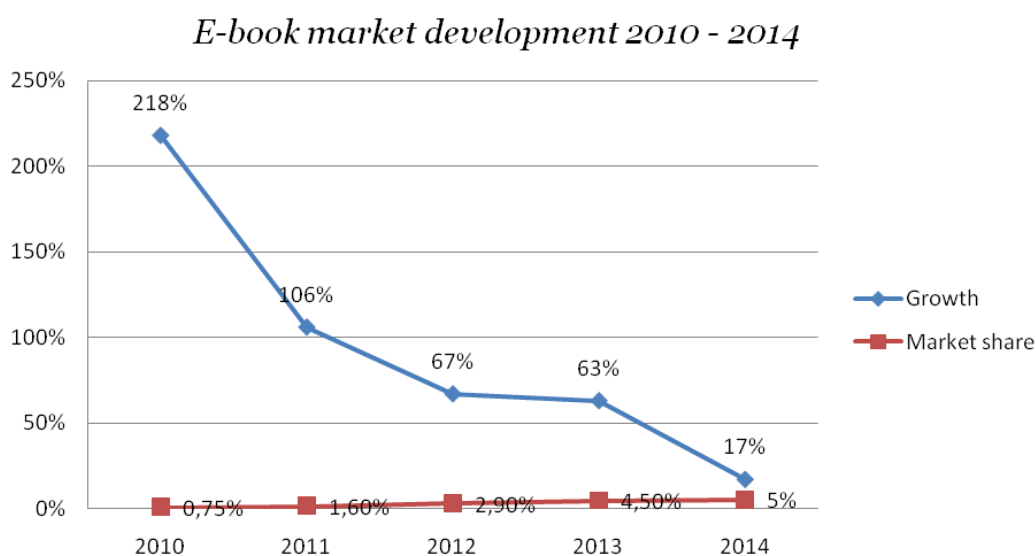


Figure 1 Annual growth relative to previous year, market share in number of e-books sold compared to the entire book market in the Netherlands¹⁶

Simultaneously, the Dutch are continuously discovering the e-book as a complementary method of reading. In 2012, 27% of Dutch readers had (some) experience with digital reading.¹⁷ Two years later, that share of readers had risen to 38%.¹⁸ Moreover, those readers who consumed (part of) their reading digitally reported that they now spent more time reading than

¹⁶<<http://www.kvb.nl/>> (5 April 2015); <<http://www.leesmonitor.nu>> (5 April 2015); 'CB distribueerde 1,95 mln e-boeken in 2013', *Boekblad.nl*, n.pag.; P. Van der Torre, 'Verkoop van ebooks in 2011 ruim verdubbeld', *Marketingfacts*, 20 January 2012, <http://www.marketingfacts.nl/berichten/20120118_in_2011_ruim_2_keer_zoveel_ebooks_verkocht> (5 April 2015); M. Joosse, 'Centraal Boekhuis leverde ruim 350.000 ebooks in 2010', *Ereaders.nl*, 5 January 2011, <http://www.ereaders.nl/05011101_centraal_boekhuis_leverde_ruim_350_000_ebooks_in_2010> (5 April 2015).

¹⁷ **Meting 20**

¹⁸ E. Witte, B. van Nood, 'Boekenbranche: Kwantitatief onderzoek naar digital en niet-digitale lezers', *GfK Research*, October 2014, <www.kvb.nl/stream/smb-30-rapportage-pdf>(5 April 2015), p. 25.

they had before.¹⁹ But while it seems that more Dutch readers are reading digitally now than have ever before, the growth rate for e-book sales has never been lower than in 2014. E-book sales have been climbing annually since 2009, with leaps and bounds in the early years as sales tripled and doubled (see table). Yet the growth rate has been slowing down significantly: last year's sales showed an increase of only 17%, while e-book sales still grew by at least 60% in both 2013 and 2012. It must be noted that when the market was much smaller, such high growth figures were relatively easy to obtain. However, it still seems concerning that after five years, while interest in digital reading seems to be growing, sales figures are slowing down in growth.

1.3. Innovation diffusion

Like the introduction of any new product or technology, a new alternative to reading print books will need time to spread through the reading population. One of the leading models for measuring the diffusion of an innovation was created by Everett Rogers'. According to his model, consumers in a market are divided into different groups depending on their attitude towards new innovations. The first group to adopt a new innovation are the Innovators, representing 2.5% of the entire consumer base. These are typically consumers who want to be at the forefront of new products, who want to sample new products before anyone else: the technological scouts, as it were. The second group are the Early Adopters, representing a larger portion of 13.5%. These consumers typically need more persuading than the Innovators, but still belong to forefront. Both Early Adopters and Innovators are typically willing to use a product or service even when it is still in beta-phase. The first big portion of consumers is called the Early Majority: if this

¹⁹ E. Witte, B. van Nood, 'Boekenbranche: Kwantitatief onderzoek naar digital en niet-digitale lezers', p. 22.

consumer group is swayed, half of all consumers have turned to a product. Early Majority consumers typically prefer to try a new product when some of their friends are already using it, and they are less keen to sacrifice usability and comfort for the 'newness' of the product. The Late Majority is even less keen on new products; they generally do not turn to new product until most of their friends are using it. The Laggards then are a group of which some may never adopt a specific new product. They resist innovations until everyone they know have already switched to using the new product. The adoption of any new product moves through these phases from left to right from the moment of its introduction. Spreading throughout the entire curve can take quite some time: in the mobile market, the Laggards have yet to buy smart phones.

In 2013, 36% of Dutch citizens had some experience with reading e-books.²⁰ This places the diffusion of e-reading in the Netherlands in the Early Majority stage. That stage is crucial: it serves as a link between the Early Adopters and the Later Adopters, and represents a third of all potential adopters. However, consumers in the Early Majority bracket are less easily persuaded into using a new product. This group consist of consumers who are led by practicality and who prefer to use devices and methods which others in their surrounding use. If the early adopters are the technological visionaries, the early majority is the mainstream pragmatist: rather than enduring teething problems, these consumers want a product which functions correctly and completely.²¹ It is questionable whether the e-book in its current shape and form can live up to their expectations. Last year, a similar question as in 2013 was answered by a group of respondents: 38%

²⁰ E. Witte, B. van Nood 'Rapportage boekenbranche meting 23: 1^e reguliere meting van 2013', *GfK Research*, February 2013, < <http://www.siob.nl/kennisbank/documenten/onderzoek-voor-de-boekenbranche-februari-2013/item1455>> (5 April 2015), p. 47.

²¹ G. Moore, *Crossing the Chasm*, p. 31.

now read e-books sometimes.²² The fact that this figure only rose by 2 percent points over more than a year suggests that diffusion is not picking up speed as Rogers' model suggests happens during this stage. In their research on e-reader adoption, Antón, Camarero and Rodríguez suggest that 'slow adoption may impede adequate diffusion, and thus affect the technology's ultimate success', especially when considering the shorter life cycle of new technologies.²³

1.4. The strength of the old

The potential adoption of a new product partly depends on performance of the current product being used. In the case of e-books, that current product is the print book. In a comprehensive essay on consumer psychology, Gourville sets apart two relevant theories relating to the influence of the current product on product adoption. First is the endowment effect of Richard Thaler: during his research, Thaler gave one group of students an item. These students, the Sellers, were asked at which price point they would be willing to part with the item they had been given. A second group of students received no item; they were the Buyers. They were asked what price they would be willing to pay to obtain the item from the Sellers. Comparing the average buying and selling prices, Thaler concluded that the Sellers valued their items at least twice as highly as the Buyers did. He reasoned that their valuing of the item stems from the fact that it is part of their endowment, it is in their ownership: 'consumers value what they own, but

²² E. Witte, B. van Nood, 'Boekenbranche: Kwantitatief onderzoek naar digital en niet-digitale lezers', p. 20.

²³ C. Anton, C. Camarero, J. Rodríguez, 'Usefulness, Enjoyment, and Self-Image Congruence', *Psychology and Marketing*, vol. 30, is. 4, p. 372.

may have to give up, much more than they value what they don't own but could obtain'.²⁴

This overvaluing of the current is very similar to the 'status quo bias' of Samuelson and Zeckhauser. In a similar study as described above, students were given either of two items and then later given the option to trade their item. An earlier trial had demonstrated both these items to be equally attractive to students, leading to the expectation that about half of the students would elect to trade their items. However, only one in ten students made the trade, while the rest preferred to keep the item they already had.²⁵ While Samuelson and Zeckerhauser concede that this result could also be framed as the result loss aversion, they claimed that their results proved the existence of the status quo bias even in the absence of loss and gain effects.²⁶ The status quo bias is an independent factor in the decision-making process 'consistent with—but not solely prompted by loss aversion.'²⁷ Additionally, other studies have found that the status quo bias 'intensifies over time': the longer consumers maintain the use of a product, the less likely they will be to trade what they have for an alternative, even if the alternative is objectively 'better'.

Taking together the status quo bias and the endowment effect—and remembering the strong foundation of the Dutch print book culture—it seems that the print book has a solid position. Consumers have a proven reluctance to move away from products and technologies to which they are accustomed—*especially* when they have used them over an extended period of time. Current Dutch readers can have a lifelong experience with print books, going back to their early childhood: this tradition anchors the print

²⁴ J. Gourville, 'Eager Sellers and Stony buyers', p. 101.

²⁵ J. Gourville, 'Eager Sellers and Stony buyers', p. 102.

²⁶ W. Samuelson and R. Zeckhauser, 'Status Quo Bias in Decision Making', *Journal of risk and Uncertainty*, vol. 1, p. 36.

²⁷ Samuelson and Zeckhauser, 'Status Quo Bias in Decision Making', p. 36.

book heavily into their memories. A new alternative, even if it offers countless advantages, will find it difficult to persuade the accustomed readers. Even now, five years after the introduction of e-books in the Netherlands, a lasting argument against the technology is that a screen simply cannot compare to the feel, smell and emotional attachment of a print book.

Another major advantage of the print book is that, even though the majority of book purchasers find them too expensive, the print book continues to fulfil consumer needs which the e-book does not.²⁸ The print book is highly portable, easily shared with friends and family, can be displayed as a statement of intellect or taste, can be re-sold, is durable and has an unlimited battery life. Regardless of the impact of the economic crises on the publishing market, there is little ‘wrong’ with the print book as a product—this further solidifies its already strong position amongst Dutch readers.

1.5. The appeal of the new

A new product can persuade a consumer towards adoption in several ways. One of the most straightforward ones is what Rogers called perceived relative advantage, which he described as ‘the degree to which an innovation is perceived as better than the idea it supersedes’.²⁹ ‘Better’ in this case can be in economic terms, social, satisfactory etc. Perceived relative advantage is one of Roger’s key characteristics of innovation diffusion, which increases

²⁸ E. Witte, B. van Nood ‘Rapportage boekenbranche meting 23: 1^e reguliere meting van 2013’, p. 43.

²⁹ E. Rogers, *Diffusion of Innovations*, p. 15.

proportionally: the greater the advantage, the greater the chances of adoption.³⁰

Economic behavioralists Kahneman and Tversky offer a nuance to this theory, agreeing with Rogers that the perceived difference between the old and the new is crucial in the process, but refusing the theory that simply performing 'better' is enough for a new alternative to be worthy of adoption. They describe consumers' responses to a new product as existing of four parts. Firstly, consumers attach a value to a new product, which is not based on its objective, but on its subjectively perceived value. Secondly, that value is never absolute, but always relative, often to a product or technology already owned. Thirdly, any positive result from this comparison is treated as a gain, whereas any negative result is treated as a loss. Finally, and crucially, these losses carry a far greater weight than similarly sized gains—this effect is what Kahneman and Tversky called the 'loss aversion'.³¹ This means that for consumer to trade an old product for a new one, the new alternative must not only perform 'better', as Rogers argued, but all advantages must be able to outweigh any disadvantage the consumer may experience—a single significant disadvantage can be enough to dissuade a potential consumer.

In determining the (value of) the advantages and disadvantages of an innovation, whether a specific feature is a gain or a loss depends on the individual consumer making up the balance. As a group, consumers are one of the five stakeholders as identified by Adriaan van der Weel.³² The interests of this group are as varied as the individual consumers themselves, and for each consumer different factors may weigh in towards their adoption of e-books. In the case in question, the portability of the e-book might be

³⁰ E. Rogers, *Diffusion of Innovations*, p. 15.

³¹ J. Gourville, 'Eager Sellers and Stony buyers', pp. 100-101.

³² A. van der Weel, 'E-roads and i-Ways: a sociotechnical look at user acceptance of e-books', p. 6.

seen as a gain by readers who prefer to read a number of books simultaneously or who read most often while commuting. For many of those readers, the weightlessness of a digital book is perfectly convenient as well—in fact, 75% cited this feature as the most important advantage of an e-book.³³ These readers who have found a personal advantage in e-reading were amongst the first to adopt it as a reading method. For other readers, sharing their books with their friends and family may be of great importance. For these readers Digital Rights Management (DRM) must have been a high initial threshold, and might still today prove to be problematic at times.³⁴ But readers who place much value on the physical appearance of a book, its cover, its paper etc., are likely to chalk up the intangibility of the e-book as a loss—digital books are then not an appealing alternative by their very essence of being digital rather than physical. This is not only a likely scenario—it is the actual scenario. For the first time in GfK's surveys, non-digital readers did not cite high prices as the most influential factor for not considering e-reading. Instead, these readers stated that the major issue blocking their adoption was the fact that e-reading 'did not feel like' reading print books.³⁵

This intensifies the concern for the further diffusion of e-reading, especially when looking at the predictions that non-digital readers make for their own reading habits. In 2012, about half of respondents in a GfK survey said to be open to the idea of reading digital books at some point in the future—they represented the potential digital readers who had yet to be

³³ E. Witte, 'Boekenbranche: Themameting e-boeken en e-readers', *GfK Research*, November 2010, < <http://www.siob.nl/media/documents/Rapportage-boekenbranche-15e-meting-thema-e-reader-1-nov-2010-PP.pdf> > (5 April 2015), p. 17.

³⁴ For a more elaborate discussion of DRM, see chapter three.

³⁵ E. Witte, B. van Nood, 'Boekenbranche: Kwantitatief onderzoek naar digital en niet-digitale lezers', p. 29.

persuaded by the product.³⁶ More than two years later, in 2014, only a third of respondents was open to that same idea of digital reading.³⁷ This suggests that the potential audience for the digital reading market in its current shape is being depleted. For the further adoption of e-books, this can become problematic. If not enough advantages can be created for as many different readers as possible, these readers can become an insurmountable threshold for the adoption of e-books.

1.6. Piracy as a free-of-charge competitor

In those cases where digital reading as an alternative to print reading offers enough gains for a reader and is therefore an attractive option for a consumer, the next question is whether a consumer is also willing to pay for that alternative. This question is especially legitimate when the alternative is a digital product. With a print book, consumers have two initial options when considering a purchase: either buy the book, or do not. If the latter option is selected, a consumer may then wait for the specific title to either be available in a library or in second-hand bookshops—this requires time and effort. If a consumer is not willing to pay, immediate access to the content is prevented. In the case of an e-book (or any other type of digital content), when a consumer chooses not to purchase it through legal channels, the next possible option is to search online for a pirated version of the specific title. Though this also requires effort, the results are much more immediate: a consumer can often begin reading the e-book that very same day. In this case, when a consumer is not willing to pay, immediate access to the content is not necessarily prevented.

³⁶ E. Witte, B. van Nood, 'Boekenbranche: Kwantitatief onderzoek naar digital en niet-digitalelezers', *GfK Research*, May 2012, <<http://www.siob.nl/media/documents/Rapportage-Boekenbranche-meting-2-2012-e-reading.PDF>> (5 April 2015), p. 25.

³⁷ E. Witte, B. van Nood, 'Boekenbranche: Kwantitatief onderzoek naar digital en niet-digitale lezers', p. 22.

Because of its immediate availability, piracy is a notorious competitor for digital media: file sharing and torrent sites such as Piratebay pose a great challenge to the music, movie, TV, gaming and now the publishing industry. In these illegal channels, consumers can often find digital content of good quality, with no restrictive protection methods, making the content easy to share across different devices. This poses publishers two challenges: how to persuade readers to pay them for the same content rather than download it for free, and how to protect their copyrighted material. That last challenge is shared, and felt perhaps even more profoundly by authors. Their main interest is economical; if they should sell fewer (e-)books because of piracy, their ability to live from their writing is immediately put under pressure.

It is very difficult to accurately estimate the extent of e-book piracy as reliable figures for illegal downloading are inherently impossible to confirm. Figures based on internet connections are skewed since one internet connection can be used by any number of people who may or may not all be downloading illegal material. Self-reporting is another popular method of acquiring insight into consumer's digital habits; however, when it concerns a topic like piracy, self-reporting is not all that reliable. In 2014, GfK found that 90% of all e-books on Dutch digital reading devices had been acquired without payment—yet how much of that 90% consists of illegal downloads is unclear.³⁸ An earlier and wider research into Dutch piracy revealed that in 2012, legal and illegal channels were used to nearly the same extent: 6.3% of the participants had downloaded one or more e-books from illegal sources, while 7.8% had purchased one or more e-books.³⁹ While these are still indications, the lack of the exact extent of piracy amongst Dutch consumers

³⁸ 'E-readers staan vol met gratis e-books', *Inct*, 5 February 2014, <<http://www.inct.nl/nl/artikel/2827/e-readers-staan-vol-met-gratis-e-books.html>>(5 April 2015).

³⁹ J. Poorten J. Leenheer, *Filesharing 2@12: Downloaden in Nederland*, (Amsterdam, 2012), p. 12.

does not take away the fact that the very availability of free, easily accessible content is a factor of some influence on their willingness-to-pay.

In the Netherlands, piracy has been an especially confusing matter. Downloading copyrighted material for home use (even when from illegal sources) was not against Dutch law; only the uploading of copyright protected material without the consent of the rights holder was considered unlawful.⁴⁰ Since all material available for download had to have been uploaded by someone, the Dutch legal position on the sharing of copyrighted material was ambiguous at the least. This made the defence of copyrighted content incredibly difficult: while rights holders could try to claim a breach on their rights through Stichting BREIN, legally downloaders were in a safe position. A verdict by the European Court of Justice forced the Dutch government to amend the situation—starting 10 April 2014, downloading copyrighted material from illegal sources is considered unlawful by Dutch law.⁴¹ However, persecution and consequences for individual users are still problematic: in practice, there is still little preventing Dutch consumers from illegally downloading and sharing e-books. Especially because of this long lasting ambivalent attitude, piracy has been and continues to be a viable alternative to legal channels for Dutch consumers.

Piracy as an alternative consumption method is, in the case of e-books, symptomatic of the failure of the publishing industry to create a market proposition that matches the consumer's needs. Where the publishing industry is unable to fulfil the consumer's needs, piracy steps in and offers digital content in EPUB format that can be easily and limitlessly shared, the files can be used on an unlimited number of devices, regardless

⁴⁰ 'Definitief geen downloadverbod', *NRC*, 21 December 2012, <<http://nos.nl/artikel/454024-definitief-geen-downloadverbod.html>>, (8 August 2014).

⁴¹ J. Seegers, 'Kabinet verbiedt downloaden uit illegale bron', *NRC.nl*, 10 April 2014, <<http://www.nrc.nl/nieuws/2014/04/10/illegaal-downloaden-per-direct-verboden-in-nederland/>> (5 April 2015).

of their operating system, the title catalogue is extensive and includes titles that are not available through legal channels.⁴²

One response to piracy is to try to have illegal material removed from the Internet. In the Netherlands, publishers and other rights owners can turn to Stichting BREIN (a foundation for the Protection of Rights in the Entertainment Industry in the Netherlands). This foundation is active in prevention and security, legislation, litigation and investigation on Intellectual Property theft.⁴³ This course of action is costly: it costs a publisher not only time and money, but also damages his reputation.⁴⁴ While this traditional response is understandable and certainly respectful towards the original author, it responds to the symptoms rather than addressing the source of the problem. If consumers turn to piracy when they are unsatisfied by the offer of legal distributors, then drawing them back to purchasing legal content can only be reached by improving the product and service.

In a more lasting solution, piracy is not primarily viewed a cause of lost sales, but as a competitor with a product which is valued by consumers. When compared with the e-book proposition offered by publishers, piracy can offer much that consumers value as a gain. Especially in the earlier days when publishers were just beginning to publish e-books, the only real extensive catalogue of Dutch titles was available through downloads from illegal sources.⁴⁵ For any product or service striving to become more popular amongst readers than free illegal e-books, there is only one course of action that leads to a lasting solution: improving the legal product or service. This

⁴² J. Boezeman, 'Inside Piracy: What We Can Learn From Pirates', *Boekeman*, 2 February 2012, <<http://boekeman.blogspot.nl/2012/02/inside-piracy-dit-vertel-ik-mijn.html>> (27 July 2014).

⁴³ <<http://www.anti-piracy.nl/>> (8 July 2014).

⁴⁴ J. Boezeman, 'Inside Piracy'.

⁴⁵ M. Kirchjunger, 'Illegaal boeken downloaden, het móet wel', *HP/De Tijd*, 20 July 2012, <<http://www.hpdetijd.nl/2012-07-20/illegaal-boeken-downloaden-het-moet-wel/>> (14 July 2014).

perspective, where piracy is viewed as another competitor has gained more supporters over the years, though the ‘earliest’ advocates called for such action in 2012.⁴⁶

It is a perspective which the music industry began to embrace in 2003 when Apple brought iTunes to the market.⁴⁷ In this audio service, consumers could easily purchase individual songs which they could then play on any supporting audio device. While Apple’s iTunes is also heavily criticised for introducing \$0.99 as a single-track price, the service has been incredibly effective at granting consumers a suitable alternative for piracy. According to a study by the American Marketing Association, the easy availability of legal online music services such as iTunes (and later others as well) had a significant effect on decreasing piracy.⁴⁸ This is an especially effective method for reaching those consumers who resort to piracy out of disappointment in legal channels (e.g. lack of content, poor quality, high costs, difficult to use). By improving service and responding to the consumer’s needs, paid channels can most certainly compete with free illegal content on the Internet.

1.7. New schemes for digital content

While piracy remains a widely-spread and popular phenomenon, there has been a significant increase in digital content services successfully competing with piracy. Through excellent content, an easy to use interface and a good catalogue, these services are managing to charge consumers for the same content that piracy was providing for free.

⁴⁶ J. Boezeman, ‘Inside Piracy’.

⁴⁷ B. Chen, ‘April 28, 2003: Apple opens iTunes store’, *WIRED.com*, 28 April 2003, < <http://www.wired.com/2010/04/0428itunes-music-store-opens/> > (12 April 2015).

⁴⁸ R.K. Sinha, N. Mandel, ‘Preventing Digital Music Piracy: The Carrot or the Stick?’, *Journal of Marketing*, January 2008, Vol. 72, p. 12.

In Europe, Spotify is the most frequently used paid service for streaming music.⁴⁹ The streaming service was launched in 2006 as an alternative for piracy in the music industry: since its launch, it has spread from Sweden to a total of 51 countries.⁵⁰ Spotify is based on a ‘freemium’ model: with a free account, users can listen to songs and playlists but with limited options, and uninterrupted adverts will play at regular intervals.⁵¹ This is a great way for users to test whether the content of the service meets their standard: Spotify currently has 45 million free users around the world.⁵² Users can choose to upgrade to a paid premium account, which gives them additional features such as offline access to saved songs, starting a radio station, sharing music with friends and no adverts: all these features make a paid subscription much more valuable than a free account.⁵³ Spotify’s 15 million paying users globally (20% of its entire user base) are a testament to the fact that consumers are willing to pay for that added value of a premium account.⁵⁴

Netflix, already founded in 1997, began as a movie-rental platform in the U.S. After an early trial with subscriptions, the company began streaming TV-series and films in 2007—in the years that followed this service would become accessible on a large number of platforms and in a growing number of countries.⁵⁵ Netflix entered the Dutch market in 2013, offering a free trial

⁴⁹ I. Lunden, ‘In Europe, Spotify royalties overtake iTunes earnings by 13%’, 4 November 2014, <<http://techcrunch.com/2014/11/04/in-europe-spotify-royalties-overtake-itunes-earnings-by-13/>> (11 January 2015).

⁵⁰ <<https://insights.spotify.com/>> (12 January 2015).

⁵¹ M. Langshaw, ‘Spotify free vs. Spotify premium’, 12 December 2013, <<http://www.digital-spy.co.uk/tech/news/a537784/spotify-free-vs-spotify-premium-which-one-is-for-you.htm#~p45ET8VEpGWpX2>> (11 January 2015).

⁵² <<https://press.spotify.com/us/information/>> (13 January 2015).

⁵³ <<https://press.spotify.com/us/information/>> (13 January 2015).

⁵⁴ <<https://press.spotify.com/us/information/>> (13 January 2015).

⁵⁵ ‘Company Overview: a brief history’, *Netflix Media Center*, <<https://pr.netflix.com/WebClient/loginPageSalesNetWorksAction.do?contentGroupId=10477&contentGroup=Company+Timeline>> (11 January 2015).

month followed by a subscription for only €7.99: it nearly immediately gained 4% of the subscription market, and continued to grow to 7% in just six months' time.⁵⁶ Like Spotify, the strength of Netflix is in its easy to use service, low monthly costs and wide offer of titles. Additionally, Netflix is investing in exclusive content by creating the Netflix Originals series (accessible to subscribers only), thereby adding unique value to the subscription.

It is not just piracy that makes consumers look for free content: the Internet itself is a wide source of freely available information. In the Netherlands, two start-ups (Blendle and De Correspondent) identified exactly that as the source of problems in journalism: freely available news items are making newspapers and quality journalism obsolete. While in this case the competition is in fact legal, the fact that it is available for free causes the same issues for companies in the field. Both start-ups have made it their mission to stimulate consumers to pay for journalism rather than access only free news websites. But compared to freely available information, they too (like Spotify and Netflix) must be able to prove their additional value. Their approaches are quite different: De Correspondent is entirely focussed on creating unique quality content, long-reads only of extensively researched journalism. Already 30,000 users have paid an annual fee of €60 to gain full access to this unique material.⁵⁷ Blendle, on the other hand, creates no content but rather offers existing content in a new manner: its online interface is most comparable to an online kiosk that sells separate articles for small fees (€0.29). Their title catalogue continues to grow as already all

⁵⁶'Netflix penetration reaches 7% of Dutch consumers', *Telecompaper*, 18 August 2014, <<http://www.telecompaper.com/news/netflix-penetration-reaches-7-of-dutch-consumers-1031621>> (10 January 2015).

⁵⁷N. Kasteleijn, 'De Correspondent heeft 30.000 leden, toch blijft dit jaar enorm spannend', *De Nieuwe Reporter*, 4 March 2014, <<http://www.denieuwereporter.nl/2014/03/de-correspondent-heeft-30-000-leden-toch-blijft-dit-jaar-enorm-spannend/>> (14 December 2014).

major Dutch daily newspaper are partners in this new endeavour, but new (foreign) papers and journals are added regularly. Blendle currently has over 185,000 users, though it is unknown how much these users have spent on articles.⁵⁸

All of these examples provide top quality (and in some cases even unique) content in an easy to use interface, for a fee that is a fraction of what the physical equivalent would cost. These features make the services valuable, more valuable even than either their physical counter-part or other alternatives: valuable enough to create a willingness to pay amongst consumers.⁵⁹

1.8. Conditional willingness to pay

The examples above of services that offer a quality service as a counterweight against piracy prove that consumers are in fact willing to pay for digital content— this is a momentous achievement, since it concerns content which consumers could also find online for free. However, that willingness to pay is not unconditional. One example of this is the sudden popularity of the illegal download service Popcorn Time. It is a free service that offers consumers an easy to use platform to stream TV-series and films from illegal sources. Essentially, Popcorn Time takes all the effort and difficulty out of piracy, while at the same time offering more up-to-date content than Netflix does in the Netherlands. Just a few months ago, Netflix declared to still view piracy an important competitor, naming Popcorn Time as a prime example.⁶⁰

⁵⁸ E. Boogert, 'Blendle: 185.000 gebruikers', *Emerce*, 9 January 2015, <<http://www.emerce.nl/nieuws/blendle-185000-gebruikers>> (21 January 2015).

⁵⁹ K. Kingma, 'Wanneer betaalt de consument voor online content?', *FrankWatching*, 18 August 2009, <<http://www.frankwatching.com/archive/2009/08/18/wanneer-betaalt-de-consument-voor-online-content/>> (11 January 2014).

⁶⁰ R. Hastings and D. Wells, 'Netflix Quarterly Letter to Shareholders', 20 January 2015, <http://files.shareholder.com/downloads/NFLX/3874203383x0x804108/043a3015-36ec-49b9-907c7960f1a7e57/Q4_14_Letter_to_shareholders.pdf> (22 January 2015), p. 5

Netflix in fact claims the existence of a causal relation between interest in Netflix in a country and the interest in Popcorn Time. For this, they cited Google Search statistics which show that search frequency for Popcorn Time in the Netherlands has grown consistently with search frequency for Netflix.⁶¹ This demonstrates that when an illegal channel manages to outperform a legal services in a meaningful way (easy to use, quality and variety of content) a consumer's willingness to pay is likely to decrease. After all, from his point of view, there is nothing extra to gain by paying rather than downloading.

Digital piracy is inescapable, and the only way to sustain a legal market is by striving to outperform pirated content in fulfilling consumer needs continuously. If the Dutch digital book market succeeds in that, consumers will be willing to pay a fee for that service. This means that consumer attitudes and values ought to be leading in the further development of the market *and* the product. As straightforward as this may sound, it is all but current practice. For many potential digital readers, the legal offering in e-books continues to underperform compared to what illegal channels can offer. For these consumers, piracy is still more valuable than legal sales and *that* is an enormous threshold for the e-book to overcome.

1.9. Summarizing

The e-book as a relatively new digital product faces two challenges in the course of its adoption by readers. Firstly, it must outperform the print book in meaningful yet subjectively measured factors as to merit the consumers' (partial) transition from one medium to another. This subjective valuation is based on what gains and losses the new alternative offers the reader, and

⁶¹'Search popularity Netflix vs. Popcorn Time', *Google Trends*, <<http://www.google.com/trends/explore#q=netflix%2C%20HBO%2C%20Popcorn%20Time&geo=NL&date=1%2F2014%2013m&cmpt=q&tz=>>> (23 January 2015).

whether the gains outweigh the losses. The current e-book proposition in the Netherlands offers some specific advantages to some readers, but also carries heavy disadvantages to other readers. Because these losses weigh more heavily in the process of decision-making than gains, they effectively hamper potential adoption.

Secondly, the current e-book proposition fails to outperform freely available illegal content so as to merit the consumers' investment. Firm figures on the current extent of piracy are few, but considering that downloading from illegal sources was allowed by law for so long makes piracy a very difficult competitor. This may partly be out of habit: Dutch consumers are accustomed to easily finding illegal content online, because for a long time this was a legal way of acquiring content. But it is also partly because the quality and variety of illegal material is often just as good or even better than that which is available through legal channels. Consumers cannot be blamed for wondering what they would gain by paying for that content, other than the knowledge that they helped the author receive his royalties. Rather than that trying to fight piracy with legal action, even now that downloading has been made illegal, publishers might consider viewing piracy as another competitor that is only beaten by improving one's own product and service. Services such as Netflix and Spotify have proven that it is possible to charge consumers for digital content, even while that same content is also available for free from illegal sources. Learning from their success, the following lessons may be observed. Content

The fact that e-book sales in the Netherlands are slowly beginning to stagnate within five years of its' initial introduction suggests that for Dutch readers, the e-book is struggling to overcome these two challenges. Additionally, figures by GfK show that fewer consumers are willing to consider adopting digital reading in 2014 than in 2012, suggesting that the potential audience is shrinking. While the industry faces the challenge of

improving the current e-book proposition, it remains to be seen whether this will be enough to persuade these potential digital readers.

CHAPTER TWO

THE ROLE OF PRICING IN THE PROPOSITION OF DIGITAL READING

‘[...] a constant driving down of the price of content is unlikely to lead to an overall increase in the quality of content over time.’ – John B. Thompson⁶²

2.1. Introduction

The previous chapter discussed the influence of both new and old technologies on the adoption of new technologies such as e-books. It has also been discussed that paid digital content is becoming more common in the Netherlands, suggesting that publishing should be able to use that momentum in the digital content market. This growing willingness to pay is all but unconditional—it can be severely compromised by a poor product.

That willingness can also be negated if the price tag is too steep for that specific product. In 2012, economic research amongst Dutch digital content consumers found that potential buyers weighed the price of an e-book as a highly dominant factor in considering their purchase, much more so than when considering purchasing music or games.⁶³ A survey in November 2010 found that over half the respondents noted high e-book prices as a major concern.⁶⁴

⁶² J. Thompson, *Merchants of Culture: The Publishing Business in the Twenties-First Century*, (Cambridge: Polity, 2012), p. 212.

⁶³ J. Weda, R. van der Noll, I. Akker, J. Poort, S. van Gompel en J. Leenheer, *Digitale drempels* (Amsterdam: SEO Economisch Onderzoek, 2012), p. 80.

⁶⁴ E. Witte, ‘Boekenbranche: Themameting e-boeken en e-readers’, November 2010, pp. 25-29.

When potential consumers consider price to be (too) high, this can lead to disappointing sales and by extension to a slow rate of adoption. Additionally, high prices can increase the sharing of illegal content: often, a simple online search is sufficient to replace a legal sale by an illegal download, where the quality of the product is often adequate and large title selections are easy to access.⁶⁵

While in the past two years e-book pricing has made digital reading increasingly accessible to Dutch readers, this has not led to the expected strong impulse for the market. This begs the question whether the e-book as a product is valuable enough for readers, or whether the range of prices asked for it in its current form is too much.

2.2. Pricing as an early threshold

In the Netherlands, the e-book market can be said to have begun in the autumn of 2009 when Dutch online retailer bol.com and Sony joined forces to bring e-books to Dutch readers.⁶⁶ Their partnership combined the vast reach and brand recognition of bol.com with the affordable, comfortable and easy-to-use e-readers by Sony—in the first three months, 56,000 e-readers were sold in the Netherlands.⁶⁷ At this time, publishers were just beginning their digital publications.

In these early days, Dutch publishers were collectively sceptical of the e-book. Each year, a poll amongst them called ‘The publisher talking’ (De uitgever aan het woord) constructs a top three of both the most and least

⁶⁵ B. Vegelien, ‘Ik lees legaal: hou eens op!’, *Marketingfacts*, 7 February 2014, <<http://www.marketingfacts.nl/berichten/ik-lees-legaal-hou-eens-op>> (20 January 2015).

⁶⁶ ‘Bol.com en Sony breken de digitale boekenmarkt in Nederland open’, 26 August 2009.

⁶⁷ P. Molenaar, ‘Sony Nederland verkocht 56.000 e-readers in 2009 – update’, *Tweakers*, <<http://tweakers.net/nieuws/65246/sony-nederland-verkocht-56000-e-readers-in-2009.html>> (18 January 2015).

promising developments in the publishing business. Since 2004 (with the exception of 2009 and 2010), e-books have consistently featured in the top three for least promising developments—meanwhile, e-books were flying off the digital shelves across the Atlantic.⁶⁸ Their conservative attitude can be attributed to a number of factors. Firstly, in the first years of the poll, the print book business was still growing: between 2006 and 2008, print sales grew by 7.5%.⁶⁹ At that moment, there was little to no necessity for publishers to concern themselves with digital products: there was barely any demand for such products in the market, and no sign that such a demand would develop in the near future. Secondly, when e-books began to sell well in the U.S., there was still very little actual demand for digital books in the Netherlands. Publishers at the time had no idea whether e-books would be a new part of publishing or whether it was just a fad. These two factors were highly influential for publishers deciding not to invest (heavily) in digital books, even as late as 2010.⁷⁰

This hesitation and low demand by readers led publishers to be protective of their main source of income: print books.⁷¹ One effective way of limiting cannibalisation was to keep the price discount from the print edition to a minimum, keeping the price of e-books close to that of their print counterpart. Any sales made from e-books would thus bring a relatively decent profit to the publisher, while simultaneously not making the e-book a too attractive alternative to the print book so as to cause print sales to drop. If pricing strategies ‘highlight how publishers assess the market potential of e-books’, then between 2010 and 2012, Dutch publishers must indeed have seen a limited future for the e-book.⁷² Anecdotal evidence suggests that the

⁶⁸ H. van Moorsel, O. Arts, R. Voorzaat, E. Eerenberg, K. Voermans and T. Huibers, *De uitgever aan het woord 2012*, (Thaesis, 2012), pp. 20-21.

⁶⁹ <<http://www.kvb.nl/>> (5 April 2015).

⁷⁰ J. Tholen, *Moord en brand in de boekenwereld*, p. 72/110.

⁷¹ J. Tholen, *Moord en brand in de boekenwereld*, p. 69/101.

⁷² ‘Global Ebook: A report on market trends and developments’, April 2014, p.92.

average discount in these years was about 20%: this means that e-books costing €16.99 or more were no exception.⁷³ This seemingly arbitrary price differentiation is based largely on economic reasoning from the publisher's point of view and relates in no way to the expectations of the consumer.⁷⁴ Especially for Dutch consumers who often have a long history reading print books, digital reading was a barely attractive proposition since for a few euro's more, a reader could have the print books—in his eyes, the more valuable of the two. This high threshold was put up purposefully by publishers, and proved to be very effective: their price setting of e-books is often cited as a major reason why e-books failed to take off in the Netherlands early on.⁷⁵

While their hesitation was certainly not without reason, it earned Dutch publishers a heap of criticism from both other professionals and consumers. The biggest reproach being made was that the book industry was steering towards the same mistake the music industry had made years earlier—waiting too long to innovate. While publishers were not immediately plunging into the e-book business, they were testing the waters slowly—more slowly than they themselves had estimated. In 2008, little over half the publishers predicted that by 2010 they would be publishing digital books: in reality, only 29% realised this goal.⁷⁶ Tholen describes this period as a cultivated frenzy in the Dutch publishing business: e-books were 'hot and happening', yet there was little direction to the innovation and readers were

⁷³ G. Poorthuis, 'Hoe duur een e-book mag zijn', *HP/De Tijd*, 21 April 2013, <<http://www.hpdetijd.nl/2013-04-21/hoe-duur-een-e-book-mag-zijn/>>, 4 May 2015.

⁷⁴ J. Tholen, *Moord en brand in de boekenwereld*, p. 82/110.

⁷⁵ H. van Lier, 'Drie redenen waarom de e-bookverkoop in Nederland achterloopt', 27 March 2013, <<http://www.volkskrant.nl/media/drie-redenen-waarom-de-e-bookverkoop-in-nederland-achterloopt~a3416404/>> (18 July 2014).

⁷⁶ T. Huibers, K. Voermans, H. van Hoorn, J. van Raak, E. Oltmans, M. de Gier, *De uitgever aan het woord 2010*, (Thaesis, 2010)p. 13.

not yet eager to try digital reading: publishers could never be sure whether their investment would be returned.⁷⁷

2.3. Costs involved

It is clear that publishers had difficulty with pricing a potentially cannibalising product they did not fully support. Economically speaking, there was sense to their method: there was no overwhelming demand for digital books in the market, and the publisher's margin on digital books was smaller than it was print books. The diagram below shows the cost allocation for digital and print books in percentages of the full price (including VAT).

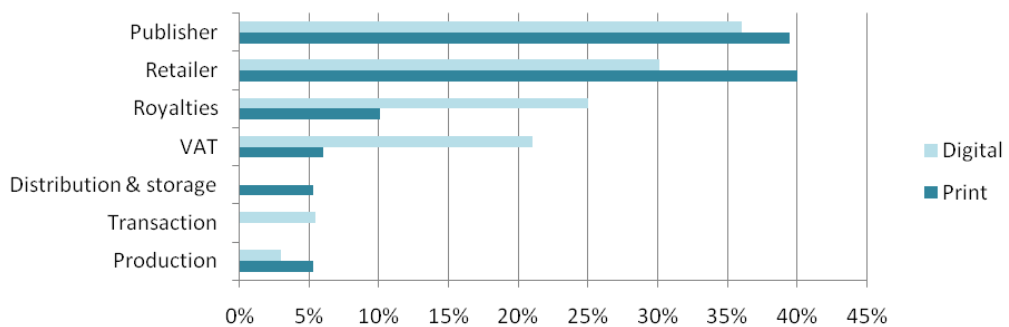


Figure 2: Cost allocation of print and digital books⁷⁸

Firstly, while the production costs for digital books is much lower than for print books and physical distribution is entirely absent, the savings are minimal. This can seem counter-intuitive to readers who assume that since a digital book is a digital file, it must logically be much cheaper to produce and deliver to the reader: therefore, the product price ought to be lower as well. But since distribution of e-books in the Netherlands is routed

⁷⁷ J. Tholen, *Moord en brand in de boekenwereld*, p.69/101.

⁷⁸ R. Kist, 'E-books kunnen gewoon niet goedkoper', *NRC.next*, 14 February 2014; J. Boezeman, 'De prijsopbouw van een e-book', *Boezeman*, 29 November 2010, <<http://boekeman.blogspot.nl/2010/11/de-prijsopbouw-van-een-e-book.html>> (18 July 2014).

via a central database rather than directly from publisher to retailer, this is even less the case: the central database charges transaction costs for every sale made, making the already minimal production savings marginal.

Secondly, Value-Added Tax (VAT) has a significant impact on the profit margins for both retailers and publishers: while the print edition carries the reduced VAT of 6%, the digital edition carries the standard VAT of 21% by EU law.⁷⁹ While EU law considers print books to be cultural products and therefore relieved of the standard VAT rate, digital books cannot be read without the use of a device—therefore, e-books are considered to be digital services, which carry the standard VAT.⁸⁰ This differentiation places the e-book at a strategic disadvantage, especially considering the fact that the e-book market across Europe is still in development. From a governmental point of view, as one of the major stakeholders, this differentiation is detrimental in that it complicates international competition amongst e-book markets and hampers the development and progression of e-reading in the Netherlands. A number of member states have challenged this differentiation: Luxembourg and France have equalised the VAT rates on their own accord after debating yielded no results.⁸¹ Their position has been challenge by the European Committee in the Court of Justice: in March 2015, the Court ruled in favour of the European Committee, necessitating the member states to repair their VAT-rates according to EU law.⁸² Taxation is no longer a European problem

⁷⁹ <<http://btwverhoging2012.nl/>> (18 July 2014).

⁸⁰ 'VAT rates', *Taxations and Customs Union*, 1 April 2015 (update), <http://ec.europa.eu/taxation_customs/taxation/vat/how_vat_works/rates/index_en.htm>, (5 August 2014).

⁸¹ L. Campbell and P. Jones, 'Luxembourg VAT move could lower Kindle e-book prices', *The Bookseller*, 16 December 2011, <<http://www.thebookseller.com/news/luxembourg-vat-move-could-lower-kindle-e-book-prices>> (12 August 2014).

⁸² 'France and Luxembourg cannot apply a reduced rate of VAT to the supply of electronic books, in contrast with paper books', *Court of Justice of the European Union Press Release*, 5 March 2013, <<http://curia.europa.eu/jcms/upload/docs/application/pdf/2015-03/cp150030en.pdf>> (15 August 2014).

alone, but is also a growing issue in the U.S.: though e-books have long been exempted from sales tax completely, an increasing number of states have begun to levy the tax on digital services as well.⁸³

But economically speaking, digital books are much more complex than the comparative diagram above suggests. When it comes to print books, publishers have a fixed calculation—based on the expected popularity of a book, its estimated print run, the quality of the material being used etc.—which determines the ideal price of a book. If the size of the print run increases or lower-quality material is selected, the ideal price is affected immediately. Digital books, on the other hand, basically come at zero marginal cost: once the initial production costs have been met—say after one hundred sales—each additional copy can be created at zero cost.⁸⁴ At this point, publishers can increase their profit margin since production costs are no longer required.

Additionally, the diagram above does no justice to the initial costs incurred by the consumer when purchasing a digital reading device such as an e-reader. This initial cost is amortised according to the number of times the device is used to read digital books. In a hypothetical situation, the consumer purchases an e-reader for €80. The device lasts for three years, and during that time, the device is solely used on holidays to read five digital books per year. In this scenario, each digital book purchased by the consumer comes with €5.34 in added write-off costs—a €9.99 e-book would effectively cost this consumer €15.33. For more fervent readers or more expensive reading devices, this calculation will of course differ.

⁸³ G. Cole, 'Ebook Taxes by State', *Taxrates.com*, 27 August 2013, <<http://www.taxrates.com/blog/2013/08/27/taxing-the-ebook/>> (14 August 2014).

⁸⁴ A. van der Weel, 'The Trojan Horse of Open Access', *TXT: Exploring the Boundaries of the Book*, September 2014.

Then there is also the enduring question of whether the digital book is a stand-alone product with its own cost structure, or whether it is a derivative product of its print counterpart and therefore takes place within that cost structure. In the former case, there are additional costs to be carried by the digital book—to maintain their margin, it is conceivable that publishers raise the price for consumers.

Despite the fact that the high VAT-rate increases the overall costs of an e-book, the largest shares in both print and digital books are earned by three main parties—the author, the publisher and the retailer. All three are stakeholders in the digital book business, each with their own interests to protect.⁸⁵The publisher and retailer both are part of the book trade, their main interest being in economic solutions and the protection of copyright. The retailer receives a lower margin on e-books than on print books: on average the retailers' share drops about 10%. This decrease in share can be attributed to the fact that, as opposed to the brick-and-mortar retailer, the online retailer has no stock to keep and unlimited shelf space: there is much less risk for the online retailer as he can stock every title indefinitely. While the publisher takes the largest share when it comes to digital books, this share is also smaller than it is for print books—considering the fact print books are more expensive as well, it is obvious that per sale, publishers earn more on a print book than on a digital book. The only producing party to improve their share is the author: the standard contract for authors was amended to raise the royalty rate from 10% for print books to 25% for digital books. Authors have a uniquely economic interest in that they hope to earn a living from their writing—a goal in which a decreasing number of writers is

⁸⁵ See A. van der Weel, 'E-Roads and i-Ways: a sociotechnical look at user acceptance of e-books' for the notion of stakeholders.

successful.⁸⁶ Since prices on print books are still higher than on digital books, the actual economic benefit of the higher royalty rate is questionable.

This results in a situation where there are little to no savings in the production and distribution of digital books compared to print books, while profit margins for publishers and retailers are decreased under the pressure of the high VAT-rate and an increased royalty rate: any hesitation on the front of pricing strategies from publishers is not entirely unwarranted.

2.4. Consumer price perception

Once a consumer has weighed the gains and losses of e-book adoption, and the quality of the product and the service have encouraged his willingness-to-pay, the next question is, how much is he willing to pay? The previous paragraph has discussed some of the costs involved with digital books. In terms of production costs, the savings from print to digital are marginal, though once the initial production costs have been met, e-books can be infinitely reproduced at zero-marginal costs. These remaining costs combined with the fact that there is yet no overwhelming demand from the market together give publishers plenty of reason to maintain a certain price point for their new digital publications. However, these costs are entirely invisible and frankly irrelevant to consumers. In estimating whether a price seems fair, a consumer will likely not be led by the sizable advance received by the author or the amount of marketing effort that led to their purchase. Rather, the value which he places on the product is leading. In determining this perceived value, production costs and cost structures do not come into play. For this reason, it makes sense for publishers to experiment with moving cost-based pricing to perceived value pricing—in the latter, pricing is not

⁸⁶ 'Authors' income 'at breaking point'', *BBC News Entertainment & Arts*, 20 April 2015, <<http://www.bbc.com/news/entertainment-arts-32379991>>, 4 May 2015.

based on cost calculation, but on the value which the consumer attaches to a product. This can be cause for a friction of interest from different stakeholders. It is in the author's interest to maintain a certain level of value for their literary work, for their reputation as a respected author, a value which is reflected by the price tag attached to their publications. The value which authors wish to see for themselves and which consumers attach to their work may not necessarily be the same—it is one of the challenges for publishers to find a balance between the two, while also considering the effect of the price for their business.

Looking at the e-book from a consumer's perspective, that product looks as follows. It is a digital text file which can be customized in a few ways to suit the reader's preferences. The file can be shared with friends and family, providing their own a reading device on which they would read comfortably. The file is intangible and exists on screen only—it is not so much owned by the reader as it is accessible to him at any given moment. It can be carried around weightlessly and read anywhere, yet it cannot be displayed in a bookcase or on a shelf.

This description contains three elements which can influence the consumer's valuation of the e-book. Firstly, there is the distinction between ownership of a book and access to its content. A digital book only offers the latter—a reader 'owns' an e-book just as much as he 'owns' the blogs and websites he visits on the Internet. Though it might be argued that the content is still the same, the experience—and therefore the valuation—is very different. This is why people would pay less to rent a DVD for a week or two than when they purchase the same DVD for their own permanent collection—while access may be as (or even more) convenient, it seems to be less valuable to the consumer than actual ownership. Secondly, the intangibility of the e-book, the fact that it exists of bits and bytes only, can also have tremendous influence on our valuation of the product.

Psychological tests have shown that in valuing a product with the help of a piece of text, a picture or the physical object itself, trial subjects consistently awarded a higher value to a product when they could hold the actual object in their hands.⁸⁷ E-books, as other digital media, only exist on the screen consumer's use to show them—outside of the text on the screen, there is nothing to which consumers can add value. Finally, this intangibility also leads to the loss of symbolic capital of the digital book. Symbolic capital refers to those values which consumers may attach to products that have nothing to do with economics.⁸⁸ Books signal a certain degree of social status—the foremost reason why readers sometimes own those books they have never read, knowing that merely owning them and showcasing them is more or less the same in terms of image. Books can be imbued with emotion, for example as gifts from loved ones or simply fond memories. These qualities of a print book are not so easily translated to the digital book, and are currently completely lacking in the digital form. It is not without reason that just last year, the biggest problem with digital books was no longer its price, but the fact that reading digitally simply is not the same as reading from print.

In the past few years, some publishers have tried their hand at perceived value pricing, while others maintained cost based pricing. The more conservative publishers generally maintained e-book prices which were about 20% lower than the corresponding print edition.⁸⁹ This discount occurs often in the 2012 catalogues: e-books might be priced anywhere

⁸⁷ 'Pavlovian Processes in Consumer Choice: The Physical Presence of a Good Increases Willingness-to-pay', p. 12.

⁸⁸ A. van der Weel, 'E-Roads and i-Ways: a sociotechnical look at user acceptance of e-books', p. 10.

⁸⁹ W. de Jager, 'Op weg naar een legale digitale boekenmarkt', 9 May 2011, <http://www.ereaders.nl/09051101_op_weg_naar_een_legale_digitale_boekenmarkt?search_string=straf_recht&search_category_id=1> (12 August 2014).

between €28 and €8, depending entirely on the print price.⁹⁰ Since most print books were priced just under €20, the most recurring price for e-books was €15.95. But there were also publishers who experimented with their prices. Uitgeverij Podium, for example, entirely released the idea of calculating a price per title and instead adopted a flat rate strategy: all e-books were priced at € 9.90, regardless of the print edition.⁹¹ The discount on their e-books therefore differed radically per title, ranging between 1% and 60%. This strategy may be based on the idea that, since there is no way to differentiate between e-books on basis of physical appearance—number of pages, type of cover etc.— each e-book is essentially the same. To some degree, the flat rate must have worked for their catalogue: two years later, 89% of their e-books are still priced at €9.99. However, there must have been some desire to differentiate on basis of content: both lower and higher price categories had been added by 2014.⁹²The House of Books, a young and modern publisher of literary fiction, also deviated from the average 20%-discount, but without opting for a single rate. Each title was discounted as seemed fit for that specific title, regardless of its print price. Yet they seemed to have a fixed idea of where the maximum price of an e-book lay: in 2012, most of their e-books were priced at €9.95 or less, with discount ranging between 1% and 50%.

Since 2013, the publishing field seem split in two when it comes to pricing. On the one hand, there are the publishers who continue to maintain a discount of approximately 20%. One of those publishers is Uitgeverij De Geus: in 2014, their favoured price point is €15.99, while their average discount of 19% was low.⁹³This suggests a profoundly protective attitude—

⁹⁰ See Appendix A.

⁹¹ 'Uitgeverij Podium Najaar 2012', <http://issuu.com/uitgeverijpodium/docs/podium_najaar_2012> (13 August 2014).

⁹² 'Uitgeverij Podium Najaar 2014', <<http://issuu.com/uitgeverijpodium/docs/nj14>> (13 August 2014).

⁹³ See Appendix A.

the digital book is being offered, but not being made appealing to potential consumers to prevent cannibalisation of the print book. On the other hand, there are publishers who are experimenting with various price settings on their digital books in order to further the digital book market as a whole and expand their own share in it. *The House of Books* further tweaked their already innovative strategy: their entire catalogue is priced at €9.99 or lower, leading to a further increase in their average discount from print to digital. Querido, a large literary publisher, also adjusted their pricing in 2013 by increasing the price difference between print and digital. These adjustments led to a slight decrease in the average e-book price across the entire market in 2013.⁹⁴

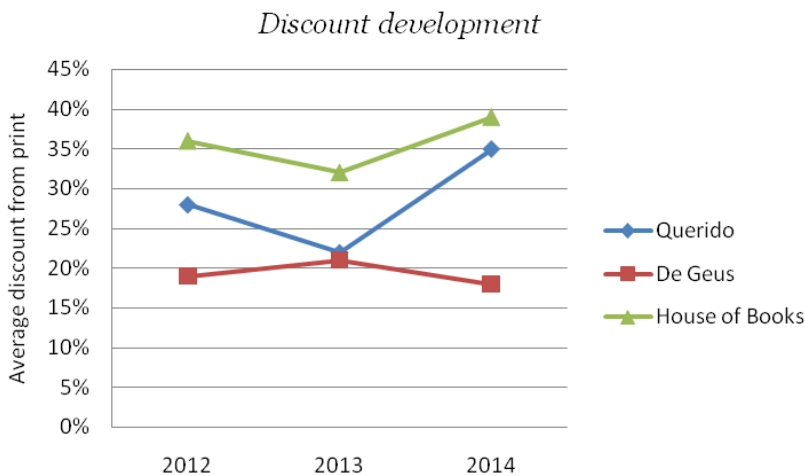


Figure 3: The development of the average discount for Querido, De Geus and The House of Books between 2012-2014. For detailed data, see Appendix A.

This conscious effort to test the price elasticity of digital books did not remain limited to the list price: as digital books are not restricted by the law for fixed book prices, publishers are entirely free to promote their titles

⁹⁴ 'Afzet e-boeken groeit., maar gemiddelde prijs daalt', *Groep Algemene Uitgeversbond*, 21 March 2013, <<http://www.gau.nuv.nl/nieuws/gau-nieuws/afzet-e-boeken-groeit-maar-gemiddelde-prijs-daalt.450249.lynkx>> (18 July 2014).

in discount-driven campaigns.⁹⁵ In 2013 and 2014, WPG publishers promoted their digital bestsellers for €7.99 per title during the summer months as a way to draw new readers to the market.⁹⁶ In October 2014, Dutch Media publishers pushed the envelope even further and promoted their entire catalogue (over 1,000 titles, including recent bestsellers) for €4.99 for the duration of one month.⁹⁷

According to Rogers, lowering the price of a product, especially during its first stages of diffusion, can increase its ‘absolute relative advantage’— because the product remains the same but the price lowers, it immediately becomes a more inviting proposition.⁹⁸ However, perhaps it is more appropriate to refer not to an increased absolute relative advantage, but rather to a decreased potential loss. Loss aversion makes consumers reluctant to try new products when they see too many losses ahead: lowering the monetary investment can for some consumers be enough to sway them. These are consumers who are unwilling to try an e-book at €15.99, knowing that if the product fails to meet their expectations they will have ‘lost’ their investment—for these consumers, €4.99 is a much safer bet. But while the proposition in this way becomes less risky, it does not become inherently more attractive—one-time consumers who are price-sensitive may be seduced by the discounted price, but may not necessarily remain as paying users.

While these experimenting publishers have taken bold steps, it remains difficult to chart whether their pricing estimations match the

⁹⁵ ‘Voorlopig geen vaste prijs voor het e-book’, *Nederlandse Uitgeversbond*, 1 December 2011, <<http://www.nuv.nl/nieuws/gau-nieuws/voorlopig-geen-vaste-prijs-voor-het-e-book.131165.lynkx>> (16 August 2014).

⁹⁶ ‘WPG lanceert vakantielezen.nl’, *WPG.nl*, 3 July 2013, <<http://www.wpg.nl/nieuws/nieuwsbericht/WPG-lanceert-vakantielezen.nl-een-grootschalige-en-marktbrede-ebook-campagne.htm>> (14 July 2014).

⁹⁷ M. Joosse, ‘Ebookfestival: 1.000 ebooks voor €4,99’, *Ereaders.nl*, 1 October 2014, <http://www.ereaders.nl/01101401_ebookfestival_1_000_ebooks_voor__499> (8 October 2014).

⁹⁸ E. Rogers, *Diffusion of Innovations*, p. 212-213.

consumer's perception. The most recent GfK survey shows that there is still some ground to be covered. Last year, GfK questioned consumers about digital books, including what pricing they thought would be fit for digital books. Out of these consumers 75% stated they would pay less than €11 for an e-book they 'really wanted'.⁹⁹ Of that 75%, 25% elected to pay nothing, 26% offered to pay €0.01-€6.99 and 24% would pay €6.99-€10.99. It must be noted that this concerns an e-book which these consumers already want to purchase—it may be assumed that in order for a less desirable title to persuade them, prices would have to be lower than this. This means that at €9.99 (a popular price point) only those consumer willing to pay more than €10.99 are definitely potential buyers, while only part of the €6.99-€10.99 segment can be added to that. To maximise sales, publishers would benefit from attracting as many potential buyers as possible—based on these figures, this might be achieved by experimenting with the price ranges as mentioned in the survey. The survey also shows that for the consumer, the relation between the print book and the digital book continues to be relevant. Nearly 60% of consumers stated that e-books ought to be 50% cheaper than their print counterparts. Since no higher discount percentage was given as an option, the 50%-discount can be considered a minimum discount. Looking at the average discounts for the publishers in Appendix A, there is still a wide gap between consumer perception and market reality.

That perceived value presents publishers with a number of challenges. Firstly, the fact that publishers choose to move from cost-based pricing to perceived value pricing does not change the actual initial costs on which their earlier pricing model was based, nor does it change their profit margin. With a lower price, publishers would need significantly more sales before reaching the point where the production costs are met. Secondly,

⁹⁹ E. Witte, B. van Nood, 'Boekenbranche: Kwantitatief onderzoek naar digital en niet-digitale lezers', GfK Research, October 2014, < www.kvb.nl/stream/smb-30-rapportage-pdf>, p. 37.

while publishers invest time and money in experimenting with digital books, consumer perception, added value etc., this all represents a fraction of their entire business. Print books are still the source of their revenue and success—and the print market is not without its own challenges. Online shops such as bol.com are a hugely significant channel for any publisher—both in digital and print books. Online marketing is becoming increasingly important for publishers, new titles and authors, as well. As much as this thesis might separate the digital from the print, the reality is that for the publishing industry this hybridity is a formidable challenge.¹⁰⁰

2.5. Summarising

While high e-book prices were the source of much criticism—especially amongst consumers—the lowering of e-book prices has not (yet) led to a growth impulse for the digital book market. This begs the question whether driving down the price in order to lower the threshold is a right way to create a sustainable demand for this new product. In the balance between product and price, the price is only one side of the coin—if the product in itself does not merit adoption (for example because it lacks added value), then a lower price will not necessarily alter that.

The high prices publishers charged for e-books has long been the principal problem new digital readers had when considering digital reading. High prices were part of the pricing strategies applied by publishers, which have long been grounded in protectionism for fear of cannibalisation and distrust against the digital revolution in the book market. By keeping prices high, potential digital readers were discouraged from their purchase. However, this did not necessarily prevent them from reading digital books as

¹⁰⁰ A. van der Weel, 'From an Ownership to an Access Economy of Publishing', *LOGOS* 25/2 2014, pp. 41-48.

piracy still offered an acceptable alternative. In order to limit the disadvantages of the e-book proposition and to stimulate e-book adoption, pricing was amongst the primary problems to tackle.

Economically, the practice could only be said to be a safe one—the standard VAT, marginal savings on production and increased royalty rate weighed heavily on the profit margins for both publishers and retailers. Nevertheless, publishers experimented with pricing strategies by moving from cost-based pricing to perceived value pricing. Though some publishers were more experimental and more open to lowering their prices than other, their efforts resulted in a decrease in the average market price over the past two years. Without detailed data on the exact price changes and changes in purchases, it is impossible to say whether e-books have proven to have the right economic elasticity where a decrease in price is directly responsible for an increase in sales. However, surveys show that when comparing 2012 and 2014, fewer consumers now find price to be the major problem with regard to digital reading, and fewer consumers are of the opinion that e-books are (far) too expensive. As far as consumer attitudes are concerned, the decrease in prices has been successful.

In the past five years, much has been improved about the proposition for digital reading in the Netherlands. The number of available titles continues to grow as new books are as a rule immediately published digitally as well and publishers work to make a growing part of their backlist available as well. Presently, a good 20 e-books are added every single day, totalling 35,633 titles in all.¹⁰¹ Meanwhile, the number of content creators (number of

¹⁰¹ 'E-books in figures: the development of e-books in the Dutch language market', *CB*, January 2015, <http://www.cb-logistics.nl/wp-content/uploads/2015/01/15.0040-E-books-Infographic-Q4_EN_WT.pdf>.

publishers, 297) has continued to increase, as well as the number of retailers (191, excluding libraries).¹⁰²

Yet the e-book in itself as a product is the same today as it was five years ago: black text on a blank background, complete with book cover, title page, table of contents and even page numbers. Pages flip from right to left, sometimes even mimicking the physical acts of turning a page: complete with saving a reader's place with a digital dog ear or a bookmark. In many meaningful ways, the average Dutch e-book is an exact replica of its print origin—thereby inherently limiting its potential for added value and, by extension, for adoption.

It would be interesting to see more focus on building the quality and desirability of the e-book itself. As Tholen wrote, in the present-day development of the digital book market, publishers ought to look for new business models or ways in which to add to the product value of an e-book.¹⁰³ The proposition for digital reading could improve its attractiveness immensely if the market could successfully tap into new target groups with a newly improved product. In turn, this could enlarge the consumer group of digital readers and could thus lead to a renewed growth impulse for the market.

¹⁰² 'E-books in figures', *CB*, January 2015.

¹⁰³ Tholen, J., *Moord en brand in de boekenwereld*, p. 81/110.

CHAPTER THREE

TECHNOLOGICAL ADVANCEMENT AND NEW COMPETITORS

‘A crucial element [...] is that Apple’s goal with iTunes is not primarily selling music, but selling devices to play music. That analogy teaches us that market leaders for e-books will not necessarily come from the publishing industry.’¹⁰⁴

3.1. Introduction

In the earlier two chapters, this thesis has tackled shifting consumer habits and pricing strategies, both of which have developed significantly in the five years that the Dutch e-book market has been in business. This chapter will examine the technological advancement and the influence it has had on the Dutch e-book market.

When it comes to pure technological advancement, Digital Rights Management and devices are at the top of the improvement list. The first was at the top of the list of early consumer complaints, right next to incomprehensibly high prices: early DRM methods restricted consumers’ actions radically by demanding authorization at every download, thereby making sharing (in a legal way) impossible and reading on multiple devices extremely difficult. The latter was a necessity for the market, especially with high prices still in place. In 2009, popular early devices such as the Dutch iRex Illiad e-Reader cost little under €500, while only supporting text in .pdf

¹⁰⁴ T. Huibers, C. Timmers, *De uitgever aan het woord 2007*, (Amsterdam: KPMG, 2007), p. 90.

or .txt formats.¹⁰⁵ Simultaneously, publishers were then only just beginning their e-book publications, meaning there was yet very little Dutch content available: there was no possible way for a consumer to make a return on his initial investment.

This prerequisite of a mediating device for digital reading would prove critical for the development of digital reading in general. The publishing industry as a whole has always been an exclusively internally organised industry, where fixed actors had their fixed roles to play (from author to publisher to printer). Now, besides having to deal with internal innovations and digitalisation, the publishing industry also had to deal with the new involvement of a new set of actors: the device developers. The Dutch e-book market has had some relief, in that the market was for a long time too small to attract the active involvement of the technological giants: Apple, Google, Amazon. In those years, domestic players had the opportunity to sort out the digital book landscape for the Dutch market in close collaboration. Slowly, they shaped the Dutch e-book market, and thereby attracted the attention of foreign parties. Between 2010 and 2014, Apple, Kobo, Google and Amazon have all set foot in the Dutch market—each new entry was accompanied with fear of a new market leader.

3.2. Technological advances in the Netherlands

One of the earliest struggles the Dutch e-book market faced was Digital Rights Management (DRM). Publishers and authors wished to ensure that digital books could not be easily spread amongst individuals in the hopes of preventing piracy this way; for this reason, Dutch e-books were equipped with Adobe DRM. When a consumer purchased a Dutch e-book, he was required

¹⁰⁵ 'Pricewatch: iRex technologies Iliad Book Edition', *Tweakers*, 30 April 2010, <[http://tweakers.net/pricewatch/226863/irex-technologies-iliad-book-edition-\(wit-8-komma-1-inch\).html](http://tweakers.net/pricewatch/226863/irex-technologies-iliad-book-edition-(wit-8-komma-1-inch).html)> (21 November 2014).

to register for an Adobe Digital Editions account before accessing the content. Adobe DRM entitled the buyer of an e-book to six downloads of the purchased title—which could be used on a pc, laptop, or e-reader—and for all these downloads the users was required to enter the Adobe account details.¹⁰⁶ In many cases, this led to double identification from the user (for both the retailer and Adobe), a number of additional complex steps and in the worst case, a user could lose one of his downloads if the process failed at any given point. Sharing e-books became nigh impossible: any one device can only be connected to a single account. Simply put: if someone is using the family computer for their digital reading, the rest can no longer access the books on their Adobe account on that device.

In December 2012, the Centraal Boekhuis (Central Book House; central (e-)book distributor) assisted Dutch publishers in replacing the Adobe DRM on their titles by a more consumer-friendly and easier to use social watermarking.¹⁰⁷ Social watermarking comes in many shapes but often as an invisible addition to the digital file. While criticized for poor privacy protection (if a buyer's name is displayed on every page), the method is at the very least much more consumer friendly in the sense that it does not restrict the number of downloads to different devices and does not require extra steps between purchasing and reading.¹⁰⁸ Publishers eagerly made use of this service—until then, 66% of all Dutch e-books were protected with Adobe DRM, afterwards only 26% remained.¹⁰⁹ Since then, the large

¹⁰⁶ N. Oosterloo, 'Hoe lees ik een epub met beveiliging', *Ereaders.nl*, 8 February 2012, <http://www.ereaders.nl/08021202_hoe_lees_ik_epub_met_beveiliging_een_handleiding> (11 November 2014).

¹⁰⁷ M. Joosse, 'CB komt met omzettingsregeling Adobe DRM naar watermerk', *Ereaders.nl*, 23 October 2012, <http://www.ereaders.nl/23101201_cb_komt_met_omzettingsregeling_adobe_drm_naar_watermerk> (11 November 2014).

¹⁰⁸ N. Oosterloo, 'Hoe lees ik een epub met beveiliging', n. pag.

¹⁰⁹ '74% van e-book titels nu gedistribueerd zonder DRM', *CB*, 10 January 2013, <<http://www.cb-logistics.nl/nieuws/74-e-book-titels-nu-gedistribueerd-zonder-drm/>> (13 November 2014).

majority of e-books is protected by a social watermark—as of 2014, only 1.6% is still protected by Adobe DRM while the rest either carries a watermark or no protection at all.¹¹⁰

CB occupies a central position in the Dutch publishing industry. Most book distribution in the Netherlands is conducted by this logistics expert: since 2009, this also includes e-books.¹¹¹ Publishers enter their metadata and EPUB-files into the CB system, which is then distributed to all digital retailers: for a monthly fee, any retailer can gain access to CB's e-book catalogue (representing 95% of all Dutch publishers) and sell e-books.¹¹² When the service began delivering e-books in August 2009, only three retailers were attached to the programme (bol.com, selexyz.nl and vanstockum.nl), two of which were also brick-and-mortar bookshops, by the end of that first year, 14 more online retailers had been added.¹¹³ The central position which CB occupies also makes it the very centre of technological innovation: any advancement made is immediately available to nearly all publishers and retailers in the Netherlands. Advancements made by CB can therefore directly advance the digital book market as a whole and maintain a level playing field for all parties.

3.3. Potential for an open market

The Dutch e-book market is currently characterised by a number of elements that have the potential of keeping the market as open as possible. Both the publishing industry and the reader would benefit from such an open and diverse retail spectrum where retailers can compete fairly and where readers can choose freely.

¹¹⁰ 'E-books in figures', CB, January 2015.

¹¹¹ *Jaarverslag 2009 Centraal Boekhuis*, (Culemborg: Centraal Boekhuis, 2009), p. 36.

¹¹² 'Digitale distributie', CB, <<http://www.cb-logistics.nl/markten/media/boekverkopers-en-overige-retail/digitale-distributie/>> (22 November 2014).

¹¹³ *Jaarverslag 2009 Centraal Boekhuis*, p. 36.

Firstly, the broad application of the international standard file format EPUB limits potential difficulties for consumers as it is compatible with nearly all reading devices. Readers can purchase e-books from any number of preferred retailers (Amazon excepted) and load all of them onto the same reading device. Secondly, the industry's preference for social watermarking helps in making the process of purchasing an e-book as easy as possible. This actively lowers the threshold and allows as many potential readers as possible to acquire and read their e-books as independently as possible. Thirdly, with CB as a central distributions partner, it is easy for new online retailers to gain access to their entire e-book catalogue: this stimulates diversity amongst retailers. At the end of 2014, digital readers could choose from over 300 different e-book stores.¹¹⁴ It is worth noting that all these retailers have access to the exact same catalogue, meaning that the supply of titles in online stores is by and large the same. Simultaneously it is still true that prices are set by publishers for the entire market, meaning that not only the supply in each store, but also the pricing is generally similar across the board. This minimizes the possibility for competition between retailers on the basis of the content and price in their stores and maximizes the flexibility for readers to switch between retailers.

In 2014, this openness culminated in the launch of LeesID, an initiative from CPNB and CB. Its goal is to make digital reading even more accessible and more consumer-friendly by guaranteeing consumers the 'ultimate freedom' in choosing where to buy their e-books.¹¹⁵ While purchasing e-books from different retailers allows the consumer to find the best offer or the best availability every time, it also has one major disadvantage: purchased titles are stored in separate accounts in separate websites and apps, meaning the reader cannot easily obtain a clear overview

¹¹⁴ 'E-books in figures', *CB*, January 2015.

¹¹⁵ 'LeesID: iedereen zijn eigen digitale boekenkast', 7 September 2014, <<http://web.cpnb.nl/cpnb/actueelbericht.vm?ab=564>> (21 October 2014).

of all his e-books. LeesID has presented itself as the solution to just that problem: it is an independent bookshelf where purchases from various participating retailers are combined into a single account. Using LeesID, readers need not look through different applications and devices to find a single title: all purchased e-books are stored in one place, regardless of when or where they were bought. At the end of 2014, seven online retailers have joined LeesID, the most prominent being bol.com.

With one file format being standard for the market, watermark protection as the norm and one central distributor of all digital book traffic, the Dutch e-book market is ideal for readers who want to have the same freedom in choosing their online retailer that they have in choosing which bookstore they visit. In that context, LeesID is a logical step in providing digital readers the opportunity to use that freedom to the fullest.

3.4. Cheaper devices and closed eco-systems

When it comes to the adoption of digital books, owning a digital reading device is a necessary prerequisite. Amongst Dutch readers, the e-reader and the tablet are the most popular device on which to read, followed only at a large distance by the smart phone and laptop.¹¹⁶ In the early days of the digital book market, this initial purchase was indeed a hefty investment—one of the first e-readers was the Rocket eBook, capable of storing up to ten e-books and weighing 600 grams with a price tag of \$ 269.¹¹⁷ Though not very popular (and rather expensive for the average reader), the e-reader did sell in the Netherlands: early users were even quite pleased with the performance of the device. Advancements in the digital device market over the years have not only led to better but also to cheaper devices. At the moment, consumers can purchase a Kobo e-reader for €79 or a Kindle for

¹¹⁶ E. Witte, B.van Nood, 'Boekenbranche: Kwatitatief onderzoek naar digital en niet-digitale lezers', p. 39.

¹¹⁷ Tholen, J., *Moord en brand in de boekenwereld*, p. 77/133.

€80.33.¹¹⁸ This severely lowers the initial investment required for digital reading, making the proposition of digital reading again slightly more appealing to new readers.

These technological companies do not only provide digital readers with a reading device; they also present themselves as digital content retailers included in their own devices. So a Kobo e-reader will immediately grant the reader access to the pre-installed Kobo bookshop on the device—a user’s choice for such a device therefore implicitly eliminates the user’s mobility between purchasing options. This is referred to as a walled garden or closed ecosystem.¹¹⁹ There are a number of these ecosystems operating in the Netherlands—Apple’s iBooks, Kobo, Amazon. For consumers, reading and purchasing within a closed ecosystem has a number of advantages. Firstly, these tech companies have each been successful at ridding their devices and application of any friction during use: they provide the user with an easy-to-use, seamless purchasing experience. Consumers only need to register their payment details with one authorised party, and all purchased titles are stored on one digital bookshelf. That bookshelf is often used to generate new title suggestions for a reader—the more titles in that single shelf, the more accurate the generated suggestions. Additionally, using a single closed eco-system on the preferred reading device reduces the number of steps a consumer has to go through between deciding to browse for a new e-book and actually purchasing and reading it: Amazon has reduced this number to the bare minimum of one with their One-Click purchasing

¹¹⁸ ‘Kobo e-readers: niet tevreden, geld terug!’, *bol.com*, <http://www.bol.com/nl/m/nederlandse-boeken/kobo-shop-in-shop/index.html?promo=Nederlandse-digitale-boeken_306__B1_kobo-e-readers_24_> (14 January 2015) ; ‘De vernieuwde Kindle, nu met touchscreen’, *Amazon.nl*, <http://www.amazon.nl/gp/feature.html/ref=nav_kdpkb/279-0791790-305723?ie=UTF8&docId=1000820703> (14 January 2015).

¹¹⁹J. Greenfield, ‘Ebook Buyers Are Loyal to Specific Retailers, Especially Kindle, iBooks and Nook, New Data Show’, *Digital Book World*, 21 January 2014, <<http://www.digitalbookworld.com/2014/ebook-buyers-are-loyal-to-specific-retailers-especially-kindle-ibooks-and-nook-new-data-show/>> (19 November 2014).

option.¹²⁰ On the other hand, there are disadvantages as well, and not just for consumers, but for the book publishing industry as well. If all the purchased titles are on one shelf, what happens to your purchases when you no longer want to read on your Kindle, but want to switch to a Kobo e-reader? What if a specific title is not available in your preferred store: is it even possible to read it on your preferred device? What if a single ecosystem gains such a dominant position that it has the upper hand in negotiations, such as Amazon does in the U.S.? Even before Amazon's hard-handed tactics, Thompson described closed ecosystems as 'a publisher's nightmare scenario', even more so if the company controlling a prominent ecosystem in digital books becomes a dominant factor in the market of both digital and print books.¹²¹ In the U.S., this nightmare has become reality with Amazon being the number one retailer for print books and Kindle books.

3.5. Technological companies as disruptive new retailers

Since digital reading requires the reader to own an external device on which e-books will be read, the measure in which these prerequisite devices are adopted must be considered a driving force behind the adoption of e-books. This is crucial to understanding the dynamics of the developing market, because these required reading devices are not produced by traditional actors in the publishing field, but by large technological companies. This is hugely significant, because these multi-media technology companies encroach upon a historically single-medium market; digital books are not their only or even their primary business. While the book trade and authors place a great deal of importance in the maintaining of a certain level of value for the literary work of authors, in the digital publications as well, these

¹²⁰ 'About 1-Click Ordering', *Amazon Help Desk*, <<http://www.amazon.com/gp/help/customer/display.html?nodeId=468482>> (21 November 2014).

¹²¹ J.Thompson, *Merchants of Culture*, p. 372.

technological companies are more concerned with maximising profit.¹²² For these companies, e-books are not so much valuable products in themselves, but rather a means to an end.

Apple—market leader in the Dutch tablet market—has a long history of creating innovative new devices that are at the forefront of technological advancement and often even ahead of consumer expectation.¹²³ Since 2006, the company's focus has been on its mobile devices: primarily the iPhone and iPad. For these devices, the amount of available content is especially important: these multi-media devices are only as attractive as the amount of quality media that can be consumed on it.¹²⁴ For Apple, device sales are their core business: it generates the bulk of their revenue. The main purpose of digital content is to add value to their devices and subsequently help drive device sales. Apple's reading application iBooks is only one part of their entire digital content spectrum, together with iTunes, iCloud and the App Store.

While Amazon, the so-called everything store, has its own reading devices (e-readers and tablets), its strategy with devices and content is very different from Apple's. Amazon's devices are priced low, nearly at break-even point for some models, while the Kindle Fire is rumoured to be sold even under cost price.¹²⁵ This drastically lowers the investment bar for new digital readers, making the Kindle an ideal e-reader to begin with. Simultaneously, Amazon is waging war to lower e-book prices in both established territories and new ones: neither the device nor the digital content are generating large shares of revenue. For Amazon, the Kindle functions as a gateway that pulls customers into their highly closed ecosystem. Once customers are in, they

¹²² E-roads, p.6.

¹²³ P. Neuteboom, H. Westerhuis, *Het Nationaal Email Onderzoek 2014*, (Zoetermeer: Blinker, 2014), p. 20.

¹²⁴ 'Apple Launches iPad', *Apple Press Info*, 27 January 2010, <<https://www.apple.com/pr/library/2010/01/27Apple-Launches-iPad.html>> (24 August 2014).

¹²⁵ P. Gobry, 'How Amazon Makes Money From The Kindle', *The Business Insider*, 18 October 2011, <<http://www.businessinsider.com/kindle-economics-2011-10>> (16 November 2014).

can find their way to books, CDs, DVDs, films and TV-shows (Amazon Prime), clothing, beauty products—nearly literally everything. The strategy works: Kindle owners averagely spend \$443 more at Amazon than non-Kindle owners do.¹²⁶ That is where the investment in low priced devices and digital content is returned manifold. For Amazon, digital reading is a low-cost service that draws readers into their customer database and indirectly stimulates larger spending in the store.

Google, too, has its own range of devices with the Nexus tablets and their own reading application Google Play Books. The reading app can be downloaded onto any other mobile device, regardless of the operating system. When it comes to closed eco-systems, Google seems to be the most open of all. This is mainly because for Google, digital books are in a sense part of their core business, namely providing access to all the information in the entire world, preferably for free. Newly published books are now not only (partly) searchable for free, but can also be purchased with the same account a customer uses to stream unlimited music through Google Music, watch films on their smart phone with Google Movies, e-mail with relatives and chat with friends with Gmail and Google Hangouts. Where Amazon seeks to grow its customer database to maximize revenue, Google aims to expand its user database and to optimize the user experience for anyone with a Google account.

For all three of these multi-media companies, digital books are only one part of their entire product spectrum. As a whole, technological companies are in an upwards stream in the market: Apple's revenue grew from 65.2 billion USD in 2010 to 182.8 billion USD in 2014, while Amazon doubled from 34.2 billion USD in 2010 to 69.73 billion USD in 2014.¹²⁷ Since these companies do not rely on digital book sales for their revenue stream, it

¹²⁶ J. Newman, 'Survey: Amazon sees more spending from Kindle owners', 13 December 2013, <<http://www.techhive.com/article/2080280/survey-amazon-sees-more-spending-from-kindle-owners.html>> (11 December 2014).

¹²⁷ <<http://www.statista.com/>> (28 January 2014).

is not their top priority to help achieve authors and publishers to achieve a sustainable price level. Rather, their first concern is reaching a majority market share over their competitors: as Amazon has proven, these companies are willing to adopt a loss leader strategy or leverage content availability in order to obtain and maintain that position.¹²⁸ This concern is diametrically opposed to that of the Dutch publishing professionals, whose financially ailing position forces them to find a profitable position in digital publishing, even if that market is still very small.

As yet, none of the international parties that have entered the market in the past three years has made an aggressive move against domestic market leader bol.com. It is generally expected that Amazon will be the first to try to overtake that position as the company is known for its domination of the e-book markets in the U.S. and the U.K.¹²⁹ Yet each of these international parties remains potentially threatening as their goals and motives do not necessarily coincide with those of other actors in the publishing industry. Because of these different motives and goals, and because they are only partially invested in the book industry, these international parties have earned the label of being *disruptive*. This term was coined by Clayton Christensen in ‘Disruptive Technologies: Catching the Wave’.¹³⁰ According to this theory, disruptive innovations begin in small companies at a point in time when the specific innovation is deemed financially unattractive by larger companies in the field. New companies invest in the development regardless, creating at first a product that is of a sub-par quality and performs poorly in the market, often because there is no

¹²⁸ J. Trachtenberg, G. Bensinger, ‘Amazon, Hachette End Publishing Dispute’, *The Wall Street Journal Tech*, 13 November 2014, <<http://www.wsj.com/articles/amazon-hachette-end-publishing-dispute-1415898013>> (11 December 2014).

¹²⁹ R. Packer, ‘Amazon owns UK ebook market but sketchy in Europe’, *RogerPacker.com*, 11 April 2014, <<http://rogerpacker.com/blog/amazon-owns-uk-ebook-market/>> (14 March 2015).

¹³⁰ J. Bower, C. Christensen, ‘Disruptive Technologies: Catching the Wave’, *Harvard Business Review*, January-February 1995, pp. 43-53.

need for the product yet. However, through continuous improvement, the incumbents finally produce a product that performs well and fits the need of an entirely new market. By this time, the new development has become financially attractive to existing companies, who are only then willing to invest—but they can never make up the lag and ultimately disappear from the market entirely. Though this is where the term originates, the current use of the word has gained some distance from this theory, being used as a synonym for ‘new’, ‘exciting’, ‘rebellious’ or ‘innovative’.

However, as Lepore notes in her criticism, Christensen’s theory as a predictive theory on whether a new technological development will succeed ‘is a very poor prophet’.¹³¹ While the theory can be applied in hindsight to explain why businesses have failed, she argues that the evidence for the theory is not substantial enough to use it as a predictor on whether or not a business will fail in the future. In this case, that means it is impossible to state on the basis of this theory that innovative retailers will push traditional players out of the market entirely.

Though companies such as Apple, Google and Amazon do not conform to the traditional interpretation of disruption (they hardly entered the e-book market as small, insignificant players), they certainly do act disruptively when merely following the dictionary, namely in a manner which ‘destroy[s], usually temporarily, the normal continuance’ of the market.¹³² Their disruptive influence stems from the fact that they come from an entirely different market originally which has an entirely different mindset than the internally operating book industry.

Whether bol.com will be able to maintain its position as market leader will remain to be seen now that Amazon has entered the Dutch market. In view of the market development, a little disruption might not

¹³¹J. Lepore, ‘The Disruption Machine: What the gospel of innovation gets wrong’, *The New Yorker*, Vol. 90. Is. 17, pp. 30-31.

even be a bad thing. In transitioning from print media to digital media, with a whole new array of challenges, disruptive actors can function as a wake-up call to traditional actors, calling them to movement. Disruption in that sense can be a well-needed stimulant for the market. The danger lies in the fact that these specific parties do not necessarily have the same vision of a healthy, viable, and diverse (digital) book market in mind for the future—and that they are very apt at advancing their own agenda.

3.6. Summarising

In the past five years, technological advances have improved the consumer convenience of digital books and removed early thresholds. Usability was greatly improved when restrictive Adobe DRM was removed market wide in 2013, making it easier for consumers to read a purchased title. The international standard EPUB file format was almost immediately adopted, with only very few e-books in PDF file format remaining as of end 2014. Because all (e-)book distribution in the Netherlands is mediated by CB, new e-book retailers can easily gain access to the digital catalogue without having to make separate deals with each retailer. The growing number of Dutch e-book retailers is a testament to that ease. These are all indications of great potential for an open and diverse e-book market, which publishers would welcome greatly.

In that same period, technological advancements in other fields have led to digital reading devices becoming cheaper. These cheaper devices have lowered the necessary initial investment for new digital readers, thereby making digital reading more easily available for a wider range of potential consumers. However, the companies that create these devices have also manifested themselves as retailers in digital content, including e-books. These multi-media companies are disruptive forces in the Dutch book industry in the sense that their intrinsic motivation and future goal is so

radically different from that of traditional actors in the book industry that their mere presence is threatening to a market that is so internally organised. They have little interest in maintaining product value or maximizing profit: their focus is on maximizing market share, even if it means adopting a loss leader approach. This is inherently threatening to publishers who are seeking to maintain a certain level of value for their digital content. Up until this point, these companies have made no aggressive moves in the market and domestic retailer bol.com still remains the unquestioned market leader. However, the recent arrival of Amazon can very likely prove be a catalyst for change in this department.

CHAPTER FOUR

NEW DEVELOPMENTS IN THE DUTCH MARKET

‘Giving the customer what he wants is less important than giving him something he doesn’t know he wants yet.’ – Schmidt & Rosenberg¹³³

4.1. Introduction

The Dutch e-book market is currently under continuous development—prices are being experimented with, the number of available titles is growing, as is the number of retailers. The market itself is growing as well: the number of sales continues to increase each quarter. Over the past twelve months, e-book sales represented 5.2% of the entire book market, which is up from a 4%-market share a year ago. While the market in its current form continues to progress, new innovative alternatives have been brought to the table. Since January 2014, public library patrons can borrow e-books from their library just as easily as they can borrow print books—a digital extension of their membership. Rather than having to purchase each title they wish to read, patrons can gain access to their titles for a limited duration and a small fee. A few months later, a Dutch platform began facilitating the sale of second-hand e-books, which raised questions about copyright and the very nature of digital content. A few month later again, in September 2014, two Dutch publishing companies launched a limited subscription service which offers readers a selection of titles for only €2.99 per month.

With regard to these innovations, the steady advance of the Dutch e-book market may have worked as an advantage. Earlier, it has been

¹³³ E. Schimdt, J. Rosenberg, *Hoe Google werkt*, (Amsterdam: A.W. Bruna, 2014), p. 94.

discussed how cannibalisation had been a major concern for publishers when adding digital books to their spectrum of publications—and understandably so, because print books were and still are the very foundation of the business. But at the moment, e-books are not yet a hugely significant source of income for publishers, meaning cannibalisation of regular e-book sales is less likely to be a concern as it still only represents a small portion of the business. However, while some publishers take to innovating the market themselves, the profession is not unanimously positive about these new developments.

4.2. Lending from libraries

One of the first innovations in how Dutch readers can acquire e-books was realised in January 2014 when public libraries across the country began lending out e-books.¹³⁴ The service is automatically included in library membership for existing and new patrons. It initially began with titles that had been published three or more years ago, the so called long tail in this case. When a patron borrows an e-book, he receives a download for an EPUB-file that is protected with Adobe DRM. The DRM will rend the file unreadable after the three week loaning period has expired: if the patron has not yet finished the e-book, he can repeat the loan as extensions are impossible in the current system. Since October 2014, newer titles (published between one and three years ago, the so called shoulder) have been added to the catalogue, likewise free of charge for library patrons.¹³⁵ In 2015, the most recent titles of less than a year old (the so called head) will be included in the programme: the current plan is to have these titles available under an ‘add-on’ to the library membership which allows patrons to borrow

¹³⁴ M. Jousse, ‘Bibliotheken starten met uitleen e-books’, *Ereaders.nl*, 21 January 2014, <http://www.ereaders.nl/21011401_bibliotheken_starten_met_uitleen_ebooks> (18 January 2015).

¹³⁵ <<https://www.bibliotheek.nl/ebooks>> (16 February 2015).

eighteen e-books for €20 per year.¹³⁶ As all e-book sales, e-book loans as well are facilitated by central distributions partner CB through the portal Bibliotheek.nl. Publishers maintain the control over which titles are available for the library catalogue, and whether a title falls into the long tail, shoulder or head category. New titles are slowly being added; while the programme began with about 5,000 titles in January, patrons could choose from 7,372 titles by the end of the year.¹³⁷

The possibility to lend through libraries has had a real impact on the Dutch e-book market. While regular sales in 2014 only grew by 17%, e-book loans alone accounted to about 800,000 in just the first year. Sales and loans together rose by 22% in the fourth quarter last year, compared to the sales in the same quarter the year before.¹³⁸ This is very positive news for the e-book market in two ways. Firstly, the library loans are responsible for a large share of the increase is what CB calls ‘transactions’ (referring to number of sales and loans together), giving the market a well-needed boost, at least in figures. Secondly, the very fact that the loans are additional to regular sales indicates that the library programme is not cannibalising with regular sales but is effectively reaching a new target group. If any publishers remained sceptical of the future of the programme and protective of its bestsellers, this early evidence is proof that the system works, without compromising regular sales. Some publishers recognise the early success of the programme: last November, Querido publishers released a number of their current bestsellers to the library programme, without requiring any additional payment from

¹³⁶ R. Snijders, ‘Verhuurtarieven van ebooks of wat bibliotheken betalen per uitlening’, *Vakblog*, 24 April 2014, <<http://rsnijders.info/vakblog/2014/04/24/verhuurtarieven-van-ebooks/>> (17 August 2014).

¹³⁷ ‘22% meer e-bookverkopten en groei in e-bookuitleningen’, *Inct*, 20 January 2015, <<http://www.inct.nl/nl/artikel/3800/22-meer-e-bookverkopten-en-groei-in-e-book-uitleningen.html>> (17 February 2015).

¹³⁸ ‘E-books in figures’, *CB*, January 2015.

patrons.¹³⁹

However, the programme is not without drawbacks. In this case, the main drawback is that restrictions from the analogue product (print books in libraries) are being transferred onto the digital product (e-books in libraries) without due attention to their different inherent qualities.¹⁴⁰ The system libraries employ for print books is based on making a scarce product (book with a limited number of copies) available to a large group of patrons. For this reason, print books have a lending period of 21 days and must then be returned to the library so that another patron may borrow that same book: until the book is returned, that specific copy is not accessible to other patrons. But e-books, being digital files, lack that scarcity entirely. Technically, all public library patrons in the Netherlands could borrow the same e-book for an unlimited amount of time: the e-book is essentially inexhaustible. For this reason, the 21-day lending period feels like an artificial deadline: as soon as the file expires and becomes inoperable, the patron can simply repeat the loan. Through this laborious loophole, patrons already have unlimited access to the entire e-book catalogue held by Dutch libraries. While it seems understandable that libraries might feel the need to (artificially) end a loan at some point, even if digital, subjecting digital books to the limitations of print books does not do justice to the digital nature of the e-book or to its potential. Meanwhile, the Adobe DRM that renders the files unreadable after 21-days brings along additional costs (for libraries) and complications (for consumers) and can still be removed by patrons familiar with specific software programmes. This 21-day limit makes the library programme a perfect example of how fruitful innovations can be and how Dutch book professionals have come a long way in five years—and yet how

¹³⁹ 'Toptitels toegevoegd aan collectie e-books', *De Nieuwe Bibliotheek*, 20 November 2014, <<http://www.denieuwebibliotheek.nl/nieuws/18331464/Toptitels-toegevoegd-aan-collectie-e-books>> (13 January 2015).

¹⁴⁰ A. van der Weel, 'From an Ownership to an Access Economy of Publishing', p. 43.

they continue to see the digital book as an extension of print book, rather than a stand-alone product.

4.3. The first Dutch e-book subscription service

As the year advances, it becomes clear that 2014 is a year of innovation in the Dutch market. For months, ‘subscription’ had been *the* buzzword around, but so far there had been little movement in the Netherlands other than vague promises.¹⁴¹ In August 2014, Dutch publisher companies VBK and Dutch Media bit the bullet and launched their combined e-book subscription service called *Elly’s Choice*. The subscription only offers Dutch fiction titles from the publishers that were involved in the creation of the service. For €2.99 per month in an annual subscription (paid in advance as an annual sum of €35.88), subscribers receive access to ten fiction titles per month.¹⁴² These titles are selected by publishers and editors from within the companies, and are meant to be balanced between bestselling authors and less well-known authors in a number of popular genres of fiction.¹⁴³ Like e-books in regular sales, these e-books are protected by a watermark rather than Adobe DRM: the subscription service provides each downloaded titles with an *ex libris* containing the subscriber’s personal name, meaning to dissuade the subscriber from illegally sharing the e-books.¹⁴⁴

The team behind *Elly’s Choice* understood that a new service like theirs would need to be pushed towards potential readers in several different

¹⁴¹ W. de Jager, ‘WPG en Lannoo willen ‘Spotify voor boeken’ beginnen’, *Ereaders.nl*, 10 August 2013, <http://www.ereaders.nl/10081301_wpg_en_lannoo_willen_spotify_voor_ebooks_beginnen> (6 September 2014).

¹⁴² H. Chin-A-Fo. T. Jaeger, ‘Vijf vragen over Elly, het nieuwe abonnementsmodel voor e-books’, *NRC Q*, 28 August 2014, <<http://www.nrcq.nl/2014/08/28/elly-het-nieuwe-abbonementsmodel-voor-e-books>> (9 September 2014).

¹⁴³ <<http://www.ellyschoice.nl/>> (14 September 2014).

¹⁴⁴ ‘*Elly’s Choice*; de algemene voorwaarden, versie november 2014’, *Elly’s Choice*. November 2014, <<https://www.ellyschoice.nl/terms>>, (13 October 2014, section 13).

ways in order to attract new digital readers. Elly's Choice entered a partnership with Samsung and provided a free trial month to buyers of a specific tablet, thereby immediately reaching a new potential target group: the same trial month is also available through a physical gift card, purchasable for €9.99 at carrying kiosks.¹⁴⁵The service is at the very least moderately successful: final figures have not yet been published, but the service did manage to sign up over two thousand subscribers in the very first week.¹⁴⁶

While it is commendable that these two publishers have worked together to create this accessible programme, the limitations of the service suggest that it has been created from the publisher's point of view, rather than the consumer's point of view. Successful subscription services that have been mentioned earlier (e.g. Spotify) hold the latter as their starting point: they offer the consumer full access to all available media and add new content as quickly as possible to avoid an unsatisfied user, thereby giving the user full freedom to enjoy the offered content at their own pace, in their own time, whatever their preferences. Instead, Elly's Choice offers subscribers only what they are willing to give them access to—publishers maintain full control over their supply and continue to function as gatekeepers who decide what (and when) consumers ought to be reading. Snoeren suggests that because of this continued role as gatekeeper, *Elly's Choice* acts more like a marketing tool for publishers than as a subscription platform for consumers: publishers can ensure a steady visibility for less popular authors while

¹⁴⁵ R. Snijders, 'Een prepaid ebook-abonnement bij Elly's Choice (mbv een cadeaukaart)', *Vakblog*, 3 December 2014, <<http://rsnijders.info/vakblog/2014/12/03/prepaid-ellys-choice-cadeaukaart/>> (6 January 2015).

¹⁴⁶ M. Dessing, 'Elly's Choice na één week 2.000 abonnementen verkocht', *Boekblad*, 3 September 2014, <<http://www.boekblad.nl/elly-s-choice-na-een-week-2000-abonnementen.239331.lynx>> (19 September 2014).

keeping the real bestsellers in the regular market as long as possible.¹⁴⁷ While the service is useful and valuable to publishers, the question is whether it will be so for readers too, especially in the long run. The subscription service hopes to gain 100,000 subscribers in the first year—no figures have been released yet, so there is no telling whether they might reach their goal.

4.4. Unlimited e-book subscription services: the future?

At the moment, Elly's Choice is as far as innovation has taken the Dutch e-book market: there are no similar competitors in the market yet, though publishing corporations WPG and Lannoo are rumoured to be working on an unlimited subscription service with the working title 'Bookify'. Earlier it was suggested that the limited number of titles with Elly's Choice is not necessarily problematic for the average reader in terms of reading load, considering that Dutch readers read slightly more than half a book per month. Yet that same number could also be used to argue in favour of an unlimited catalogue. It is unlikely that simply because readers have access to a giant catalogue, they will immediately read significantly more than they used to: time is limited and fewer and fewer hours are being allotted for reading time.¹⁴⁸

But while the number of e-books they read from start to finish is unlikely to change, users do gain an incredible number of potential titles to choose from, which is exactly like the kind of overwhelming content that popular services like Spotify and Netflix offer and which appeals to today's need of instant gratification. From the user's perspective, this could be a significant improvement over the model which Elly's Choice applies. Rather

¹⁴⁷ J. Snoeren, 'Elly's Choice is geen 'Spotify voor boeken'', *Jurgensnoeren.com*, 28 August 2014, <<http://jurgensnoeren.com/2014/08/28/ellys-choice-is-geen-spotify-voor-boeken/>> (19 September 2014).

¹⁴⁸ N. Sonck, S. Pennekamp, *Media:Tijd 2014*, (Amsterdam/The Hague, 2014), pp. 9 - 10.

than having to wait until the editors allow him to read a specific set of titles, the reader could access any title at any time without restrictions—thereby satisfying a similar need for instant gratification. But this can be in the publisher’s interest as well: if a new book receives attention in the media, this could lead to a peak of downloads or streams for that specific title. That title would just have to be available for the subscribers.

In other countries, e-book subscription services are already part of the consumption spectrum. The Spanish 24symbols has been active since 2011, expanding its catalogue into multiple languages (English, Italian, and German), growing their catalogue and their user base.¹⁴⁹ For €8.99 per month, users can read an unlimited number of books from a catalogue of 200,000+ titles both off- and online in apps on iOS, Android and any web browser. Consumers can also choose not to pay for the service: their e-books will be accompanied by advertisements and are unavailable for offline reading.¹⁵⁰ Mofibo is a similar service from Denmark—also active in Sweden—which offers unlimited reading for 99 kronor (approximately €13.25) per month: by their own estimates, they have reached a market share of 50% in Denmark in just one year.¹⁵¹ Recently, they have expressed their ambition of adding the Netherlands as a third market—no release date has been announced yet.¹⁵² In Germany, Skoobe offers a slightly more restricted reading service: in their three-tier system, users pay depending on

¹⁴⁹ M. Bryant, ‘24symbols launches as ‘Spotify for books’’, *The Next Web*, 30 June 2011, <<http://thenextweb.com/apps/2011/06/30/24symbols-launches-as-spotify-for-books/>> (2 December 2014).

¹⁵⁰ <<https://www.24symbols.com/>> (2 December 2014).

¹⁵¹ <<https://www.mofibo.com/>> (2 December 2014).

¹⁵² M. Joosse, ‘Mofibo komt ook met e-bookabonnementsdienst in Nederland’, *Ereaders.nl*, 2 March 2015, <http://www.ereaders.nl/02031501_mofibo_komt_ook_met_ebook_abonnementsdienst_in_nederland> (5 March 2015).

the number of devices they wish to use the account on and the number of offline reading hours they want.¹⁵³

These are not just European innovations: in the U.S., there are a number of e-book subscriptions to choose from, including Entitle, Scribd, Oyster and recently Kindle Unlimited. The diversity of the American market immediately highlights a key point in the development of such a service: a subscription is only as valuable as the amount of desirable content accessible to a reader. In the U.S., Entitle has signed contracts with HarperCollins and Simon & Schuster, while Oyster and Scribd both initially only signed with the former and recently with the latter (but only for their backlist): the other three out of The Big Five have not yet invested into the subscription model.¹⁵⁴ A fragmented market can lead to a thoroughly unattractive proposition for digital readers, for whom authors are a much more important guiding point in their reading than publishing houses.

But for authors themselves, subscription services may be a much less attractive proposition. It is already the case that only few authors can make a living of their writing: for most writers, it is difficult to receive fair compensation for their work.¹⁵⁵ Their economic interest can be put under even more pressure by subscription models where their work is made available to a large group of readers for a small monthly fee. Recent turmoil in the press about how Spotify rewards its artist is of little consolation to already-worried authors. In 2014, musicians on Spotify received between \$0.006 and \$0.0084 per stream—the low pay-out rate was reason enough for Taylor Swift (a top-earning Spotify artist in that year) to withdraw her

¹⁵³ <<https://www.skoobe.de/>> (2 December 2014).

¹⁵⁴ J. Bercovici, 'Entitle, A Different Approach To Ebook Subscriptions', *Forbes.com*, 6 May 2014, <<http://www.forbes.com/sites/jeffbercovici/2014/06/05/entitle-a-different-approach-to-ebook-subscriptions/>> (2 December 2014).

¹⁵⁵ 'Author's income 'at breaking point'', *BBC News Entertainment and Arts*, <<http://www.bbc.com/news/entertainment-arts-32379991>>.

entire music catalogue from the streaming service.¹⁵⁶ Spotify's difficulties with fair compensation are partly caused by the nature of digital music. Popular songs tend to be short, under four minutes, making them ideal for sampling a new artist or album. When looking at some of the figures, it becomes clear why Spotify has such difficulty paying a fair share to its artists. In 2013, the average Spotify user listened to fifteen hours or 225 songs per month.¹⁵⁷ Considering that the average user is not a paying subscriber, compensating an average of 225 rights' holders per user per month becomes quite a challenge. Though it is unknown how a service like Elly's Choice compensates its authors, similar figures suggest that it might be possible to promise authors a fairer deal than musicians received from Spotify. According to Leesmonitor, Dutch readers read an average of 7.8 books last year.¹⁵⁸ Sadly, there are no figures on how many e-books the Dutch read averagely, which makes this a hypothetical comparison. Yet even if, hypothetically, in a subscription, a reader would read six e-books on average, this would still leave six rights' holders to be compensated. That figure might be higher, depending on the terms of compensation and the sampling behaviour of readers, but it seems unlikely that it will reach such astronomical proportions as with music. Likewise, the height of the compensation will of course depend on the subscription rate, but also on the degree to which free use of the service is allowed. Even with these unclear preconditions, it may be suggested that authors have a chance at a fairer compensation for their work than Spotify's artists. Nonetheless, it is nearly certain that authors' earnings will change once they sign onto a subscription. Some authors may see fewer royalties come in than usual but for other

¹⁵⁶ D. Johnson, 'See How Much Every Top Artist Makes on Spotify', *Time.com*, 18 November 2014, <<http://time.com/3590670/spotify-calculator/>>, (12 April 2015).

¹⁵⁷ S. Tibken, 'Spotify users have streamed 4.5B hours of music in the past year', *Cnet.com*, 11 December 2013 <<http://www.cnet.com/news/spotify-users-have-streamed-4-5b-hours-of-music-in-past-year/>> (12 April 2015).

¹⁵⁸ <<http://www.leesmonitor.nu/>> (12 April 2015).

authors, subscriptions might even be an improvement on their current digital earnings. Since subscribers have already paid their monthly fee, there is no financial risk in sampling new authors, leaving more freedom for discovery. Especially for those authors who are not currently bestseller authors, there may be something to gain from the potential exposure of subscription services.

These subscription services around the world do not share extensive information as to their number of subscribers and their effective use of the service—the number of e-books they begin to read, how many they actually finish, how much the service must pay out in royalties. As such, it is difficult to gauge whether subscriptions might become successful for the broad market. Currently, Spain and the U.S. continue to have a functioning and even growing e-book market in regular sales—this suggest that subscriptions can function as a complementary consumption method rather than a cannibalising one.¹⁵⁹

4.5. Reselling used e-books

Domestic innovation continued throughout the year as in June 2014, the Dutch website TomKabinet.nl was launched. Tom Kabinet is an online platform where readers could sell the e-books they had already read and purchase used e-books from other readers.¹⁶⁰ The purpose behind the platform was to boost legal e-books sales: if readers knew they could later resell their purchased e-books, the initial investment for a single purchase might become less of a threshold to some potential readers. From each transaction being made via the platform, Tom Kabinet takes a commission of €1.50—of that share, a small compensation will be given to authors that co-

¹⁵⁹ 'Global Ebook: A report on market trends and developments', pp.23-25 and pp. 39-40.

¹⁶⁰ <<https://www.tomkabinet.nl>> (23 November 2014).

operate with the programme.¹⁶¹ One issue remains, which is what makes selling second-hand e-books different from second-hand print books. If a reader decides to sell a print book, he sells the copy he owns and afterwards he does have the purchasing sum, but not the book. If a reader decides to sell a digital book, he could make a copy of the EPUB file, sell it and afterwards have both the purchasing sum and the original EPUB file. For this, Tom Kabinet places its trust in an honour system—they expect and trust that users will on their own accord remove the sold e-book from their devices once a sale has been made.¹⁶²

Since its launch, the platform has been controversial. The initiators of the platform base their system on a the UsedSoft ruling by the European Court of Justice in 2012, which states that the author of software (which e-books are by European Law) cannot oppose reselling after initial purchase.¹⁶³ Therefore, e-books too should be eligible for reselling, just like other software file and just like print books. The Nederlandse Uitgeversverbond (Dutch Publishers Association) disagreed with this interpretation and within the first week of business summoned Tom Kabinet to halt their transactions, threatening with legal action if they failed to comply. As the initiators of Tom Kabinet refused to do so, the NUV took the matter to court on a number of grounds: the question whether e-books could be considered to be ‘second-hand’ was at the centre of their issue, as well as a perceived copyright infringement since no permission had been granted for the selling of these e-books, resulting in lost sales for publishers and authors. Additionally, the platform was unable to distinguish between legally and

¹⁶¹ <<https://www.tomkabinet.nl>> (23 November 2014).

¹⁶² ‘Kopen, lezen en verkopen van e-book via Tom Kabinet’, *Tom Kabinet*, <<http://www.tomkabinet.nl/image/data/handleiding/Handleiding%20voor%20verkopers%20Tom%20Kabinet.pdf>>, p. 6.

¹⁶³ ‘An author of software cannot oppose the resale of his ‘used’ licences allowing the use of his programs downloaded from the internet, *Court of Justice of the European Union Press Release*, 3 July 2012, < <http://curia.europa.eu/jcms/upload/docs/application/pdf/2012-07/cp120094en.pdf> > (16 February 2015).

illegally obtained e-books, making it possible illegal e-books to be traded legally.¹⁶⁴ The summary proceedings were ruled in favour of Tom Kabinet, allowing them to continue their business, though it was stated that the legal grounds were complicated.¹⁶⁵ The NUV was adamant and appealed the ruling. In January 2015, the Amsterdam court ruled in favour of the NUV, stating that the current honour system used by Tom Kabinet was insufficiently effective in banning illegally obtained: until the platform is adjusted accordingly, all transactions must be halted. On the other grounds cited by the NUV, the court disagreed, stating that Tom Kabinet seemed to be in their rights to exploit a platform for the selling of second-hand e-books, for which no explicit permission from publishers was required—the question as to the legality of the origin of the e-books proved to be the only problem in legal terms.¹⁶⁶

The legal action taken by NUV on behalf of Dutch publishers is again symptomatic of its inherent protectionism. Rather than opening up a dialogue to see if there is anything about the model that might work for publishers too, the association immediately steps on the brakes. It is not unimaginable that Tom Kabinet might have tweaked their business model or made more demands of their users to ensure the origin of the files they uploaded. Even if the initial plans may not seem suitable, Tom Kabinet (and other initiatives like it) could be the industry's saving grace.¹⁶⁷ Unyielding, Tom Kabinet altered its course after the January ruling: rather than reselling

¹⁶⁴ S. Kok, 'Kort geding NUV vs. Tom Kabinet dient vanmiddag', *Boekblad*, 10 July 2014, <[http://www.boekblad.nl/kort-geding-nuv-vs-tom-kabinet-dient-vanmiddag-\(.236935.lynkx](http://www.boekblad.nl/kort-geding-nuv-vs-tom-kabinet-dient-vanmiddag-(.236935.lynkx)> (15 February 2015).

¹⁶⁵ R. Snijders, 'Verkoop tweedehands e-books via Tom Kabinet mag vooralsnog doorgaan', *Vakblog*, 21 July 2014, <<http://rsnijders.info/vakblog/2014/07/21/verkoop-tweedehands-ebooks-via-tom-kabinet/>> (14 February 2015).

¹⁶⁶ 'Feitelijk verbod website Tom Kabinet', *Rechtspraak.nl*, 20 January 2015, <<http://www.rechtspraak.nl/Organisatie/Gerechtshoven/Amsterdam/Nieuws/Pages/Feitelijk-verbod-website-Tom-Kabinet-.aspx>> (30 January 2015).

¹⁶⁷ R. Hendriks, 'Tom is de reddingsboei voor de boekenmarkt', 10 September 2014, <<http://www.emerce.nl/opinie/tom-reddingsboei-boekenmarkt>> (6 October 2014).

e-books, the platform has the ambition to become the first Dutch all-you-can-read subscription service. Its launch has been planned for the third quarter of 2015, with expansion to seven countries in 2016.¹⁶⁸ Whether Dutch publishers have signed up for the service and what the exact agreement will be is yet unclear.

4.6. Challenge one: finding the right business model

One of the biggest challenges for new initiatives like the ones described above is finding a viable business model. On the one hand, the proposition for the potential subscriber must be attractive and accessible so that new subscribers are easily acquired. On the other hand, the compensation for publishers and authors must be worthwhile as for them this is the main stimulant for content owners to contribute to these services. Most start-ups with new business models in the field of digital content remain secretive about their exact financial distribution and revenue, especially the compensation for right's holders. Scribd applies specific thresholds to their e-books: the first 10% is always free for browsing, but once the reader has read over 30% of the text, the author is compensated with 60% of the digital list price.¹⁶⁹ Oyster has declared to grant the same 60% of the list price as soon as a reader has read more than 10% of any title.¹⁷⁰ Elly's Choice will not communicate openly about their compensation agreements with publishers, but it can be imagined that bestselling authors (who are more likely to be read

¹⁶⁸ M. Keswiel, 'Tom Kabinet wordt Spotify voor boeken', 23 January 2015, <<http://www.sprout.nl/artikel/tom-kabinet-wordt-spotify-voor-boeken>> (28 January 2015).

¹⁶⁹ M. Coker, 'Smashwords Signs Distribution Agreement with Scribd', 19 December 2013, <<http://blog.smashwords.com/2013/12/smashwords-signs-distribution-agreement.html>> (2 December 2014).

¹⁷⁰ M. Kozlowski, 'Smashwords Illuminates Authors on Oyster eBook Royalties', 25 October 2013, <<http://goodereader.com/blog/e-book-news/smashwords-illuminates-authors-on-oyster-royalties>> (8 December 2014).

more often and might even draw in new subscribers) receive a somewhat higher compensation than less well-known authors.

Ironically, the compensation for right's holders is a major roadblock towards profitability of these services. The compensation is variable according to the size of a service's user base and their frequency of use: both of which a successful service will want to increase to gain a larger market share. But with more users and more reading activity comes more compensation for right's holders and subsequently a smaller or inexistent profit margin. This vicious circle is untenable for a market fragmented in many small parties: only larger ones with sufficient investment will be able to cope at that level.¹⁷¹ For example, Scribd and Oyster yet have to turn profitable, even though their reader base has increased and they were both successful in attracting new publishers: both services continue to rely on funding for a substantial part of their income.¹⁷² And profitability is not just a problem for smaller businesses. Only two years ago did Spotify for the first time turn a substantial loss into a meagre profit, and Netflix has recently announced their goal of turning profitable in 2017.¹⁷³

But the real tension may not just be about which service reaches profitability sooner, but rather about the fact that some services do not necessarily need to become profitable to continue their business. Kindle

¹⁷¹ 'Subscription ebook libraries – the same old profitability conundrum?', *Venture Consulting*, 14 January 2014, <<http://www.ventureconsulting.com/blog/subscription-book-services-profitability-conundrum/#.VQbsCY6G-So>> (18 December 2014).

¹⁷² M. Kozłowski, 'Will Subscription e-Book Sites Continue to be Viable in 2015?', 24 December 2014, <<http://goodereader.com/blog/e-book-news/will-subscription-e-book-sites-continue-to-be-viable-in-2015>> (18 January 2015).

¹⁷³ L. Lopez, 'Netflix Opened The Door For Short Sellers With One Sentence From Its CEO', *The Business Insider UK*, 21 January 2015, <<http://uk.businessinsider.com/netflix-promises-profitability-in-2017-2015-1?r=US>> (8 February 2015); S. Dredge, 'Spotify's UK revenues rose 42% in 2013 as music service turned a profit', *The Guardian*, 7 October 2014, <<http://www.theguardian.com/technology/2014/oct/07/spotify-uk-revenues-2013-profit-music>> (20 January 2015).

Unlimited in itself does not need to become profitable as Amazon has enough other revenue streams with which to compensate that loss.

4.7. Challenge two: finding the right content

Elly's Choice, the first Dutch subscription service, originated from two publishing companies—for that reason, the service is only filled with content from those publishers. This necessarily means that any current bestsellers not from these publishers will not be available to the subscribers. If 'Bookify' would be launched this year, there would already be two competing services fighting over consumers, each with their own exclusive content. Other publishers might yet follow suit: though no plans have been made public yet, Unieboek (another Dutch publisher), already registered the brand name 'Riddo, all you can read' for a service providing electronic publications to users.¹⁷⁴ This will lead to further fragmentation of the market as readers follow the publisher which has their favourite authors on pay-roll—the small digital reading audience will spread out across the various solutions, meaning many will only have a small audience to which to cater. Especially in a small language territory like Dutch, an unlimited subscription service is only really attractive to potential users if the available content is diverse and complete enough to justify a monthly or even annual subscription. To achieve this, a service would need to represent a vast majority of fiction publishers; preferably at least all those that frequently feature in the weekly *Bestseller 60* (Top 60 Books). For a Dutch reader, no unlimited subscription is worth its money if it does have titles by De Bezige Bij but not by Querido (or vice versa).

¹⁷⁴ M. Jousse, 'Riddo, de Nederlandse 'Spotify voor ebooks'?', *MustReads.nl*, 8 April 2014, <<http://mustreads.nl/riddo-de-nederlandse-spotify-voor-ebooks/>>, (2 December 2014).

But to publishers, the proposition of hundreds, thousands of e-books for less than €10 a month can seem like an utter nightmare. In such a subscription method, there is barely any monetary value per title left—the e-books are practically being given away for free. Hypothetically speaking, a subscriber could read five e-books per month at a rate of €10 per month, making every title worth €0.50—after VAT and the share for the service, there might be next to nothing left for the publisher or author. And hypothetically, a subscriber could download hundreds of titles through the subscription, like hefty eaters at an all-you-can-eat buffet who stuff their plate—only to leave most of it untouched. But for most readers, e-book subscriptions will more likely be an ‘aspirational purchase’, like a gym membership: a financial commitment that a user hopes to use to its full potential by going to the gym often or reading many e-book, but rarely succeeding in doing so.¹⁷⁵ While there is a chance that some users will read more than the average of 7 books per year, it is very unlikely that many of them will actually read thousands of e-books from start to finish. Rather than the subscriptions being ‘overused’ by that small group of subscribers, it is more likely that there will be many who use the subscription so very little that they end up spending more on monthly subscriptions than they would on regular sales.

And while e-books subscriptions can indeed potentially cannibalise on regular sales, publishers can potentially get something else in return: data. McQuivey even suggests that sharing aggregated data is one of the ways in which services like Oyster and Scribd have convinced publishers to contribute their content.¹⁷⁶ Such aggregated data could reveal to publishers

¹⁷⁵ M. Coker, ‘Examining the Business Model of Ebook Subscription Services (Part I)’, 29 October 2013, <<http://blog.smashwords.com/2013/10/examining-business-model-of-ebook.html>> (17 January 2015).

¹⁷⁶ D. Alba, ‘Publishers Are Lining Up Behind ‘Netflix for Books’ Services. But Why?’, *Wired.com*, 13 January 2015, <<http://www.wired.com/2015/01/publishers-lining-up-behind-netflix-books-services/>> (18 January 2015).

much more than simply which titles are being read most often: it could reveal a significant popularity of an author in a specific age bracket, or at what point in a book readers decide not to continue. This information might be valuable in many departments—marketing, sales, cover design, even book length—and not just for the digital book. If data gathered from digital readings really can give an accurate picture of reader preferences, it is not unimaginable that these might have influence on print books as well.

4.8. A publisher's challenge

The innovations described in detail above have already entered the Dutch e-book market, and there will surely be more to follow: in the digital market, new initiatives and new ideas follow each other more quickly than one of them can rise to success. Because of this high pace, it is nigh impossible to see at the very beginning whether a specific innovation is going to succeed or not. In a way, this is much like the same risk a publisher takes on when acquiring a new author—there is no way to be sure whether it will be successful or not, a publisher might lose all investments into this one person. But that risk is an inherent part of publishing and should be viewed as exactly that in the digital side of the business. Whatever concerns publishers may have towards these new innovations (and others) that will soon hit the market, there may not be a place in the digital market for uncooperative players.

In their summary of the latest BISG report, Porter Anderson Media distilled three main forces at play in shaping the future of book publishing, namely inevitability, change, and consumer preferences.¹⁷⁷ That consumer preference is already directing itself towards subscription as a content

¹⁷⁷ P. Anderson, 'BISG study: A buffet of digital book subscriptions', *PorterAnderson.com*, 22 July 2014, <<http://porteranderson.com/bisg-study-buffet-digital-book-subscriptions/>> (16 August 2014).

consumption method (as already discussed in chapter one), while change seems to have become a daily element of the publishing business. The factor of inevitability is perhaps most difficult to stomach for publishers. Now more than ever, predictions made in the annual 'Publishers Talking' survey will probably be wildly inaccurate. Predictions are difficult enough to be made about the end of this year, let alone market developments over the next two years: it very well could be a whole new world by then. The sentiment can almost be said to be fatalistic, and echoes in a statement by an American publisher, who said about trying to predict where the future is taking the business that 'You don't have to be right, you just have to be ready.'¹⁷⁸ Ready both in a technical sense, keeping up with technological developments for example, but also ready in the sense of being willing to join in new initiatives that find their way to the market. Initiatives like Tom Kabinet or Mofibo if they really do come to the Netherlands, require content in order to be able to try themselves in the Dutch market. For these ideas, for any new idea, to work, they need to be able to cooperate with Dutch publishers. And while it is certainly the case that publishers have their own stakes and stakeholders to keep in mind and their own rights to protect, those interests can sometimes be better protected from a cooperative position than from a conflicting position.

4.9. Summarising

This chapter has examined some of the new digital innovations in the Dutch publishing industry. After years of wait-and-see, 2014 proved to be a very fruitful year with three new significant innovations in the Dutch e-book market. In January, public libraries began lending out e-books to their patrons, managing up to 80.000 loans in just the first year. Figures show

¹⁷⁸ J. Thompson, *Merchants of Culture*, p. 235.

that these loans are additional to regular sales, meaning this new distribution method has given publishers a chance to reach a target group with their e-books. A few months later, Tom Kabinet opened its controversial platform where digital readers could buy and sell each other's second-hand e-books—on the solemn promise to erase one's own copies afterwards. In this case, the Dutch Publishers Association showed itself at its most threatening by immediately taking legal action against the platform: in January 2015, Tom Kabinet was forced to halt its business. Another few months later, publishers VBK and Dutch Media began *Elly's Choice*, the first Dutch literary subscription service—albeit in limited form. Although figures as to its success have not been revealed yet, the very existence of the service is a clear signal that innovation is speeding up in the Netherlands, and that publishers are becoming more active about participating in that innovation.

All these new practices face two main challenges: finding a sustainable business model and acquiring (enough) quality content. The former requires publishers to consider that there might be more to gain from such new services than just another revenue stream—these services can give access to invaluable data about the reading behaviour of their readers. The difficulty in the business model lies entirely in profitability, and whether this will even be possible. The latter ties together with the first, and with the major challenge for Dutch publishers: it requires Dutch publishers to be open to experimentation, to remain flexible in how they exploit their digital content and most of all, to be ready to form new partnerships when the possibility arises. This is where the experiments of the past year show a slight rift in the Dutch publishing field. On the one hand, there are publishers like VBK and Dutch Media, who take matters into their own hands and who do not shy away from experimental projects; on the other, there are the publishers represented by NUV in the court case against Tom Kabinet, who immediately opted for legal action.

In the end, these digital innovation not only challenge publishers to think differently about their own business and product, but they also invite them to take the calculating, risk-taking attitude that is necessarily inherent to any publisher, and apply it to these new branches of their business just as they apply it in finding a new bestseller.

CHAPTER FIVE

CONCLUSION

‘With a futurist’s eye, I can see that years from now, ebook readers will seem just as basic as dead trees set out in the sun to bake, before being bound into books.’ – Jason Merkoski¹⁷⁹

This thesis has set out to describe and analyse a number of developments across the Dutch e-book market, all of which occurred in the past five years. By analysing these developments and their implications for the e-book market, the goal of this thesis was to establish that the main challenge for the Dutch e-book market is in combining future market development with maintaining a certain value for the e-book, while balancing the interest and goals of different parties in the industry.

In the first chapter of this thesis, it has become clear that in order to achieve adoption, a product or service must be able to outperform its current rival in ways which are meaningful to the potential consumer. As demonstrated in that chapter, consumers tend to have their own opinions as to what is a meaningful advantage: an advantage for consumer A is not necessarily meaningful to consumer B. In the second chapter, it was shown that publishers listened closely to consumers in the last two years by changing their pricing strategies to be based on perceived value rather than costs. However, this change in pricing strategy does call for a balancing act from publishers, who now not only mind their own interests and those of their authors, but also incorporate the consumer’s point of view: all these

¹⁷⁹ *Het einde van ebooks: 20 visionairs over de toekomst van digitaal lezen*, (Delft: Eburon, 2013), p. 5.

interests do not necessarily align. The third chapter has shown more ways in which practicalities surrounding e-book sales have improved: cheaper hardware, more consumer-friendly software. But it also showed the increased intrusion of technological companies in the book industry. For the consumer, the closed ecosystems of these companies can be very pleasant to use and even be very welcome. But to the book industry as a whole, these new parties are a disruptive force, which mostly stems from the fact that their interest and their goals are entirely different from other players in the book industry. The fourth chapter has discussed a number of new initiatives in the book market in 2014. Though differing in level of success, these new initiatives have all been able to attract a new audience for e-reading by entirely changing the e-book proposition. Rather than e-book only being available for regular sales, these new project have made it possible for consumers to take out subscriptions, to hire e-books or to sell their old e-books (albeit briefly).

Throughout the chapters, it has become clear that over the past five years, the Dutch book industry has greatly improved a number of practical issues for e-book consumers. Such improvements included the adjusting of pricing strategies, making e-book consumption easier without Adobe DRM and increasing the amount of content available. These improvements have been focussed on ensuring that the current e-book experience that is offered to consumers has become more pleasant for the consumer: compared to five years ago, it is much easier for a consumer to find, purchase, enjoy and share a desired e-book title. When comparing consumer surveys taken over the past years, it has become clear that practical objections such as lack of available titles, high prices, difficulty in use are no longer the principal obstacles for new digital readers. The fact that these factors are now viewed more positively by consumers is largely thanks to the efforts of the book industry. A growing market is a result of those efforts.

However, that market growth is slowly levelling out, while there are fewer and fewer new readers who incorporate e-reading into their reading habits. And while practicalities have been improved, another inhibiting factor for consumers has come to the surface: the fact that e-reading does not feel like print reading. What these means exactly, remains somewhat unclear, but it is likely a combination of preference for the habitual (status quo bias) and the loss of symbolic capital when moving from print to digital (at least at the moment). And since print and digital texts are indeed fundamentally different, it is possible that that feeling will always play a part to some degree.

But while e-reading cannot be made into print reading, it does not need to stay as it currently is, either. The new projects that were launched last year—Elly's Choice, Tom Kabinet, the library programme—all sought new ways to offer existing content rather than trying to further build upon the same proposition. The fact that each of them has caught the attention of consumers suggests that consumers welcome the idea of consuming digital books in a different manner than has been offered by the market for the past five years. By offering content in a new way, e-reading might become a more valuable reading method for more consumers, regardless of the fact that it is not the same as print. But the same projects also showed that it is no easy feat to develop a business model which offers great content in an easy way for an acceptable price of consumers, while also ensuring fair compensation for authors and profitability for publishers and technological partners.

Because it has been established that consumer interest in the current mainstream method of e-reading is waning, and that new initiatives are welcomed by consumers, it is not unlikely that in the coming years, more new projects can be seen in the book market. And if the projects of last year are any indication, then future projects will be likely to focus on new ways to distribute existing content. For such projects, finding a balanced business

model will be one of the biggest challenges, but also one of the only ways to ensure cooperation from all different parties.

Besides finding the right business model, another challenge will be discovering what consumers (might) find appealing in new forms of e-reading. There are experimental services and programmes around the world which might serve as inspiration, though it remains to be seen whether a successful formula from Italy, from Japan, from Norway, translates equally successfully to the Dutch market. In a way, it is nearly impossible to really know this without experimenting. This is exactly why experimental projects like Elly's Choice are so important to the development of the market; the progress of the project and the reception by consumers can be very insightful for the book industry as a whole.

While experiments with new services can yield useful new information, it is both costly and risky. Another way to discover more about consumers, about the developments in the market and new trends is by examining data. Sales data can of course be very useful, but questionnaires filled out by consumers can give more direct information about their motives and preferences. The digital book survey by GfK, for example, is a great source of such information. So far, GfK has done this survey twice (2012 and 2014): for digital developments, an annual survey is rather essential since developments occur rapidly. But also more openness about existing data can grant access to a wealth of knowledge. Last year, CB began sharing some of its data on e-books through quarterly infographics. Though these infographics give more of an indication rather than exact data, they do provide useful information on the progress of the market every few months.

Throughout the research for this thesis, it has become clear that the Dutch e-book market has been in a continuous state of change since its very beginning, and there is no indication that the coming years will be any different. In fact, if 2014 was any indication, the most exciting developments are yet to come.

APPENDIX A

ILLUSTRATIVE E-BOOK PRICES

Year	Publisher	Price e-book	Price p-book	Relative discount	Frequency
2012	Em. Querido ¹⁸⁰	€ 4,49	€ 4,95	-9%	1
		€ 9,99	€ 12,50	-20%	2
		€ 9,99	€ 10,00	0%	1
		€ 9,99	€ 39,95	-75%	1
		€ 9,99	€ 12,50	-20%	1
		€ 11,99	€ 14,95	-20%	1
		€ 12,99	€ 22,95	-43%	1
		€ 14,99	€ 19,95	-25%	1
		€ 14,99	€ 18,95	-21%	3
		€ 15,99	€ 19,95	-20%	3
		€ 15,99	€ 24,95	-36%	2
		€ 15,99	€ 34,95	-54%	1
		€ 17,99	€ 24,50	-27%	1
	<i>Average</i>	€ 12,72	€ 20,08	-28%	<i>Total: 19</i>
2012	De Geus ¹⁸¹	€ 9,49	€ 9,90	-4%	5
		€ 11,99	€ 15,00	-20%	1
		€ 12,99	€ 16,90	-23%	1
		€ 13,99	€ 17,50	-20%	3
		€ 14,99	€ 18,95	-21%	5
		€ 15,99	€ 19,95	-20%	15
		€ 17,99	€ 22,50	-20%	4
		€ 19,99	€ 25,00	-20%	1
		€ 23,99	€ 29,95	-20%	2
	<i>Average</i>	€ 15,38	€ 18,99	-19%	<i>Total: 37</i>

¹⁸⁰ 'Najaarsaanbieding Querido 2012', *Uitgeverij Querido*, <http://issuu.com/querido/amsterdam/docs/lr_querido_volwassen_najaar_2012_def> (12 May 2015).

¹⁸¹ 'Prospectus De Geus Najaar 2012', *Uitgeverij De Geus*, <<http://www.degeus.nl/data/upload/files/aanbiedingsbrochures/brochurenajaar2012-kleiner.pdf>>(5 April 2015).

2012	The House of Books¹⁸²	€ 4,95	€ 5,00	-1%	2
		€ 7,50	€ 9,95	-25%	3
		€ 7,50	€ 10,00	-25%	8
		€ 7,50	€ 12,50	-40%	1
		€ 9,95	€ 10,00	-1%	2
		€ 9,95	€ 14,95	-33%	1
		€ 9,95	€ 17,95	-45%	9
		€ 9,95	€ 18,95	-47%	7
		€ 9,95	€ 19,95	-50%	1
		€ 13,95	€ 17,95	-22%	1
		€ 13,95	€ 18,95	-26%	1
		€ 14,95	€ 18,95	-21%	1
	<i>Average</i>	€ 9,24	€ 14,52	-36%	<i>Total: 37</i>
2013	The House of Books¹⁸³	€ 5,99	€ 6,95	-14%	1
		€ 5,99	€ 7,50	-20%	1
		€ 8,99	€ 9,95	-10%	3
		€ 8,99	€ 10,00	-10%	3
		€ 8,99	€ 12,50	-28%	3
		€ 9,99	€ 10,00	0%	2
		€ 9,99	€ 12,50	-20%	5
		€ 9,99	€ 12,95	-23%	4
		€ 9,99	€ 14,95	-33%	2
		€ 9,99	€ 15,00	-33%	5
		€ 9,99	€ 16,95	-41%	2
		€ 9,99	€ 17,95	-44%	7
		€ 9,99	€ 18,95	-47%	4
		€ 9,99	€ 19,95	-50%	1
		€ 12,99	€ 17,95	-28%	1
		€ 12,99	€ 18,95	-31%	2
		€ 12,99	€ 19,95	-35%	1
		€ 13,50	€ 17,95	-25%	1

¹⁸² 'Brochure The House of Books najaar 2012', *Uitgeverij The House of Books*, <http://issuu.com/thehouseofbooks/docs/najaarsaanbieding_2012>(5 April 2015).

¹⁸³ 'Brochure The House of Books Najaar 2013', *Uitgeverij the House of Books*, <http://issuu.com/thehouseofbooks/docs/thb_najaarsaanbieding2013>(5 April 2015).

	<i>Average</i>	€ 9,96	€ 14,58	-32%	<i>Total: 48</i>
2013	De Geus ¹⁸⁴	€ 9,99	€ 12,50	-20%	7
		€ 9,99	€ 10,00	0%	1
		€ 11,99	€ 14,95	-20%	2
		€ 11,99	€ 15,00	-20%	1
		€ 13,99	€ 16,95	-17%	1
		€ 13,99	€ 19,95	-30%	1
		€ 13,99	€ 15,00	-7%	1
		€ 13,99	€ 17,95	-22%	4
		€ 14,99	€ 18,95	-21%	1
		€ 15,99	€ 19,95	-20%	10
		€ 17,99	€ 22,50	-20%	1
		€ 18,99	€ 22,95	-17%	2
		€ 18,99	€ 24,95	-24%	1
		€ 18,99	€ 27,50	-31%	2
		€ 19,99	€ 25,00	-20%	3
	<i>Average</i>	€ 14,78	€ 18,63	-21%	<i>Total: 38</i>
2013	Em. Querido ¹⁸⁵	€ 9,99	€ 10,00	0%	2
		€ 9,99	€ 12,50	-20%	1
		€ 9,99	€ 15,00	-33%	2
		€ 11,99	€ 15,00	-20%	1
		€ 13,99	€ 17,95	-22%	1
		€ 14,99	€ 18,95	-21%	6
		€ 15,99	€ 19,95	-20%	5
		€ 24,99	€ 39,95	-37%	1
	<i>Average</i>	€ 13,99	€ 18,66	-22%	<i>Total: 19</i>

¹⁸⁴ 'Prospectus De Geus Najaar 2012', *Uitgeverij De Geus*, <<http://www.degeus.nl/data/upload/files/binnenwerk-de-geus-nj-2013-low-res.pdf>>(5 April 2015).

¹⁸⁵ 'Najaarsaanbieding Querido 2013', *Uitgeverij Querido*, <http://issuu.com/querido-amsterdam/docs/lr_querido_najaar_2013> (12 May 2015).

2014	De Geus ¹⁸⁶	€ 9,49	€ 9,90	-4%	2
		€ 9,99	€ 12,50	-20%	1
		€ 9,99	€ 10,00	0%	4
		€ 11,99	€ 14,95	-20%	1
		€ 11,99	€ 15,00	-20%	4
		€ 13,99	€ 17,95	-22%	1
		€ 13,99	€ 17,50	-20%	2
		€ 14,99	€ 18,95	-21%	4
		€ 15,99	€ 19,95	-20%	8
		€ 17,99	€ 21,95	-18%	1
		€ 18,99	€ 22,95	-17%	2
		€ 19,99	€ 24,95	-20%	2
	<i>Average</i>	€ 14,21	€ 17,29	-18%	<i>Total: 32</i>
2014	The House of Books ¹⁸⁷	€ 9,99	€ 17,95	-44%	8
		€ 9,99	€ 16,95	-41%	5
		€ 9,99	€ 15,00	-33%	1
		€ 9,99	€ 18,95	-47%	7
		€ 9,99	€ 19,95	-50%	5
		€ 9,99	€ 12,50	-20%	1
		€ 9,99	€ 14,95	-33%	1
		€ 8,99	€ 15,00	-40%	1
		€ 8,99	€ 12,50	-28%	6
		€ 8,99	€ 10,00	-10%	7
		€ 5,99	€ 8,95	-33%	1
		€ 4,99	€ 10,00	-50%	1
	<i>Average</i>	€ 9,47	€ 15,50	-39%	<i>Total: 44</i>
2014	Em. Querido ¹⁸⁸	€ 4,99	€ 8,99	-44%	1
		€ 7,99	€ 10,00	-20%	2

¹⁸⁶ 'Prospectus De Geus Najaar 2014', *Uitgeverij De Geus*, <<http://www.degeus.nl/data/upload/files/de-geus-najaar-2014-voor-web.pdf>>(5 April 2015).

¹⁸⁷ 'Brochure The House of Books Voorjaar 2014', *Uitgeverij The House of book*, <[shttp://issuu.com/thehouseofbooks/docs/thb_voorjaarsaanbieding2014](http://issuu.com/thehouseofbooks/docs/thb_voorjaarsaanbieding2014)>(5 April 2015).

¹⁸⁸ 'Najaarsaanbieding Querido 2014', *Uitgeverij Querido*, <http://issuu.com/singel262/docs/hr_querido_najaar_2014> (12 May 2015).

		€ 7,99	€ 12,50	-36%	2
		€ 7,99	€ 14,99	-47%	3
		€ 10,99	€ 17,99	-39%	2
		€ 11,99	€ 18,99	-37%	4
		€ 13,99	€ 19,99	-30%	6
		€ 14,99	€ 22,50	-33%	1
		€ 15,99	€ 22,50	-29%	1
		€ 15,99	€ 24,50	-35%	1
		€ 16,99	€ 27,50	-38%	1
	<i>Average</i>	€ 11,81	€ 18,22	-35%	<i>Total: 24</i>

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