New business models in the digital age

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Introduction

Over the last several years, the Internet has transformed business models and the way companies in various sectors, like the media, airlines, tourism, financial intermediaries, etc., are organized. Every company that packages content and markets it through intermediaries will go through a change in its business model, and companies in the cultural sector will be no exception to this structural transformation process. A new era is fast approaching in which the way a business handles its relationship with consumers (B2C) will outweigh the current business-to-business (B2B) intermediation model.

The objective of this study is to provide professionals in the book world, whether they are publishers, agents, authors, booksellers, or librarians, with a broad analysis of the business models currently available on the Internet so that they may determine where their business opportunities lie and what the benefits of each of these models are for their companies.

History has shown that every time new technology appears, it stirs up a host of fears stemming from the unknown. For example, when the codex was first used, it was widely criticized because it interrupted the reading of texts. Before long, however, the initial worries which had been the basis of heated debates were quickly forgotten. People realized that there were actually numerous advantages to being able to compile long texts into a single unit instead of using several scrolls. Discussion of the new business models on the Internet is today's version of this situation.

The description of the business models that are analyzed in this study is meant to provide companies and organizations in the cultural sector with a clearer view of the advantages and disadvantages of these models in their particular cases. Not all readers will be willing to purchase a subscription package regardless of how appealing it is in terms of content and price, and not all of them will want to get involved in a crowdfunding campaign either.

The arrival of the Internet in the book world is not just about the digitalization of books. Its impact goes far beyond that. The Internet has had an effect on the entire publishing process, from production to distribution, to marketing, promotion, copyright management, etc. Whether we like it or not, the traditional methods of creation, access, and use are all undergoing a historic change. Over the next few years, the time will come when consumers will have unprecedented access to vast amounts of user-generated information and knowledge which will lead to the reorganization of the cultural sector. Faced with these new ways of creating, accessing, and using culture, book industry professionals need to reflect on what type of business model they are going to implement in order to meet the challenges of the coming uses of the Internet.

No one today has a clear idea of which business models will last, which are pure marketing strategies, and which are the most sustainable, etc. Not having this information should not delay the implementation of these models, however. The title of this study refers to the future business models of the digital age in the plural because no single model will likely exist on its own. Rather, several models will co-exist next to each other.

 Choosing the right business model will depend on the characteristics of each publisher, its specialization, size, and catalog, among other variables. The aim of this study is to help professionals in book-related industries design the best mix of business models in order to meet the needs of each and every one of their customers. Throughout this study, our definition of the new business models will be about the constant search for the ideal mix, about creating “contradictions” at times, and even about making mistakes. Science has shown time and time again that the only way to make progress is through trial and error. In order to innovate, we should not be afraid to make mistakes because, by learning from these mistakes, we can better understand the times we live in.
We hope that this study will provide our readers with a broader view of the multiple opportunities that the new business models of the digital age offer and that it can resolve any of the doubts and help dispel any preconceptions they may have. More importantly, we hope that it will help our readers reflect on how to begin to integrate these models into their business strategy, whether they represent a publishing house, a bookshop, a library, a university, an online shop, a distribution platform, or a media outlet.
1. Digital Business Models
If there is something that defines the digital economy it is the need to look for new business models and to combine them to best reach one's intended goals. Because these new business models will be mixed, which is to say that they will be combinations of several models, it will be difficult to classify them as belonging to just one type or another.

The new digital economy is based on this fusion, on the absence of a single fixed model, typical of the Internet's fluid nature. It is the foundation on which business relationships, through eCommerce platforms, can be built. For this reason, it is important to remain open to the possibilities that combined models offer and not to see them as the inflexible models that are often associated with the analog or physical world.

It must be understood that, when adapting to the digital arena, all models will either evolve or combine with other models.

1.1. MICROPAYMENTS. FRAGMENTED CONTENT

The concept of micropayments was born in the age of the Internet and, in some ways, is closely linked to fragmented content and per-use content. Micropayments are usually defined as small-quantity transactions ranging between 1€ and 5€, although, according to PayPal and Visa, micropayments can reach as high as 10€ or 20€, depending on the type of purchase. This kind of transaction is used to access a certain type of content, which could be an article on a webpage, a song, or the next level in a video game.

The truth is, however, that the transaction does not always have to involve money. Transactions can be as complex as to include bitcoins, loyalty tokens, or any other type of non-monetary or non-conventional form of payment. Though there are many types of transactions possible in the digital world, their technological implementation is the complicated part. This study, however, will focus on the commonly accepted use of micropayments as a low-cost method to access content or services.

The average consumer became familiar with the concept of micropayments when Apple began selling content for its devices. As a company, Apple was quick to comprehend the potential of the new business models that were made possible by the digital world. Their rejection of the “all or nothing” policy towards content, making it possible to buy piecemeal what was once considered a whole, truly revolutionized the sector. Now customers had the chance to buy individual songs for around $1 instead of having to buy an entire LP or CD. When the concept hit the eBook sector, it forced publishers to a certain extent to redesign their pricing policy for piecemeal purchasing of sections, chapters, and extensions, as will be seen shortly.

The use of micropayments is becoming more common. Pagantis’ 2012 study1 on online content use in Spain showed that the average Spaniard spent 2.80€ in micropayments that year, up 12% from 2011. The most frequently used payment methods were SMS (39%), credit cards (26%), and phone calls (25%). Online games topped the list with a 41% increase, with users in this sector spending an average of 2.89€ in micropayments. The music and video sector proved more stable, increasing by just under 3%, with an average expenditure of 2.52€ per user.

According to Tecnocom’s 2013 Report on Trends in Payment Methods (Informe Tecnocom sobre Tendencias en Medios de Pago 2013), an increase in the use of micropayments entails a reduction in processing costs2. The

2 http://www.ebanking.cl/noticias/cual-fue-la-tendencia-de-los-medios-de-pago-este-ano-2013-0019220
use of micropayments in the peer-to-peer (P2P) and shared-economy business models has grown too, leading to the development of new submodels. One of these submodels, called “direct operator billing” or “carrier billing,” allows consumers to use their mobile phones to make purchases which are then charged to their phone bill. One new app for mobile phones is Mugipay, which is a cross between the online payment platform PayPal and instant messaging apps like WhatsApp or Line. Users of Mugipay can make small payments to other users without having to exit the app. A good example of a mixed model, this app falls somewhere between micropayments and P2P.

Though the transactional or micropayment model is well-accepted in the phone app sector, it is gaining ground in the gaming sector. It seems that the behavior and the particular profile of video game console players makes them less susceptible to this type of model due to their particular focus and nature. However, many believe that the micropayment and subscription models will one day define the gaming industry. For the moment, League of Legends and Dota 2, both of which use micropayments, are two of the most played PC games in the world.

Whether users are offered the chance to purchase virtual objects or whether they need to buy their way into the next level, this model falls into the category of an “in-app purchase” or the “in-app” model for short. The aim of in-app models is more than just promoting the use of the app and the number of times it is downloaded. In these mostly free or reasonably priced apps, accessible content is fragmented. This essentially means that the first few levels of a game, or the first few fragments, episodes, or chapters depending on the type of content, are available for free, coinciding with the Freemium model, and users are then offered extra for-a-fee content during the use of the application.

Recently, though, a problem was discovered with this model. Many times the users of these apps are children. While using this type of app, whether an educational aid or a game, users need to make a micropayment in order to advance, which can often be done instantaneously. The U.S. Federal Trade Commission fined Apple for permitting this type of payment to be used in apps aimed at young audiences. Although a password is initially required, children can spend large amounts of money to continue using these apps. The FTC's ruling forces the Cupertino-based company to pay $32.5 million directly to the affected users. In one of the cases that set off all of the alarms, a girl managed to spend $2,600 in micropayments in just 15 minutes.

Though an extreme example, this case identified a key problem with this model. As a result, in order to prevent cases of future uncontrolled spending, especially in apps aimed at children, Google play developed a system which makes it necessary to enter a password every time a micropayment is required. The European Commission is also currently studying ways to regulate this type of model.

The publishing sector has been able to adapt to this model with ease. As was mentioned earlier, there are connections between pay-per-read, micropayments, and fragmented content. The main advantage of fragmented content is that users only need to pay for what they are truly interested in, without having to pay more for additional information, services, goods, etc. that they have no interest in, just like in the iTunes model.

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

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

In the digital publishing sector, Amazon was one of the first to start using the fragmented content model in its Short Cuts series for Kindle devices. This initiative was primarily directed at readers who were interested in the subjects of finance, business, and business management. Working with the prestigious Harvard Business Review Press, Amazon's idea was to offer individual chapters and summaries of articles written by prominent experts in each field. What was unique about the initiative was that the chapters were classified according to the time it took to read them, which varied between 10 and 30 minutes.

These examples highlight the advantages of being able to buy individual chapters of certain eBooks, especially technical manuals, textbooks, and guidebooks. Using this pay-per-use idea, users can build their own poetry anthologies, storybook collections, or even compile a list of their favorite passages. Readers who access a service like this are provided with a “do it yourself” or a “remixing” type of experience. This eventually gave rise to platforms based solely on this concept, such as eBookPie, SliceBooks, and BookRiff, whose focus is on giving users the possibility to customize content. This model is both affordable and reader-friendly and, once the division of royalties is worked out, can be advantageous for publishers as well.

eBookPie, now called SliceBooks, was a pioneer of this model in the publishing sector. It developed a service called Chapterizer which allowed publishers to divide up their books so that readers could access this fragmented content according to their interests. This made it possible to make and remake different editions of books with different chapters and even different covers. The users of this service had the option to download only the chapters (called eChapters) that they were really interested in. It could even be said that SliceBooks made the transition into creation. Publishers could re-edit, cut, fragment, and transform their books on this self-publishing platform.

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

BookRiff has also gone in the same direction. BookRiff is a platform that allows its users to create content that has been gleaned from several sources. Its initiative is based on traditional publishing media but it also incorporates the advantages offered by new digital media in terms of access to content and use. Anything is possible when creating a customized book, including adding audio, video, and images. Users can easily “remix” their own books to include random chapters, articles, essays, or even their own content.

Copyright owners are naturally compensated for the use of their content. Applying a standard agency model, 70% of the earnings go to the publisher or copyright holder and the platform keeps the remaining 30%. According to Rochelle Grayson, CEO at BookRiff, the idea is to offer certain features that are being neglected in digital publishing, features such as providing readers with new experiences by giving them screen-based readability options and customized content.

Grupo Planeta is an innovative Spanish publishing group that began offering users fragmented content through its Gestión2000 platform. For the first time in Spain, individual chapters of an eBook were sold, giving readers the chance to purchase only those chapters they were most interested in.
Content designed for specific spans of time, a new trend in the fragmented content market, continues to grow. An example of this type of content are the two-minute stories marketed in Japan which are intended to be read on mobile phones between stops on the underground.

Amazon was once again among the first companies to market this type of story through Kindle Singles, a specialized section of Amazon’s online store which sells short texts written by both authors and readers at reasonable prices. These texts, which range between 10,000 and 30,000 words, can be stories, articles, short essays, tales, etc. This model has been ideal at incentivizing the creation of and access to texts which are not long enough to be considered books but which do not deserve to be forgotten or made to wait until a suitable collection can be complied. The idea also exploits the market niche for short texts for mobile phone apps.

Since the introduction of short-form and fragmented content, the demand for eBooks in these formats has increased. According to statistics published in a 2012 study carried out by paidContent⁵, Amazon had earned approximately $1.12 million with this model at the time of publishing, selling 2 million Kindle Singles in this its first year of operation alone. This is a very respectable number considering that these eBooks were sold at prices that ranged from 0.99€ to 2.99€.

As a result, Bloomberg Businessweek decided to team up with Hachette to turn some of the magazine’s most relevant content into eBook singles. Random House and Penguin (which recently merged) and Open Road are just a few of the companies that followed their lead. In order to keep the success of this model going, however, it is necessary to maintain competitive pricing. Going beyond a certain price margin could interrupt the demand for this type of product⁶.

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

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

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

The double intention behind this initiative to adapt to short forms is first to synthesize ideas that authors might not be able to transmit in a longer text because of time and space limitations, and second to take advantage of changing reading habits in order to reach a wider audience. In journalism, the perception of long and short are

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⁵ [http://gigaom.com/2012/03/12/419-exclusive-amazon-has-sold-over-two-million-kindle-singles/]

⁶ See [http://www.motherjones.com/kevin-drum/2012/03/ebooks-are-too-damn-expensive]
the opposite, but for digital readers interested in all kinds of content, these texts are still considered shorter than conventional books.

Longreads and Byliner are different, however. What Longreads does, basically, is help its users find and share the best long-form stories and articles. Like a search engine, Longreads classifies and lists all types of texts from publications known for their stories, articles, and think pieces such as The New Yorker, The Atlantic, Esquire, and a long list of others. It also includes stories, in-depth interviews, and historical documents found online in blogs or in digital journals. Along with the search results which Longreads lists by term or by topic, the approximate time it should take to read the texts (between 15 and 60 minutes) and the total number of words are also included.

Longreads made its debut in mid-2009 as a hashtag on Twitter. #longreads was used to indicate that the link was reference led to content that required a long, careful, deep read. The success of this simple initiative on Twitter developed into this reading-oriented webpage.

Byliner, on the other hand, is an eReading platform that has quickly chalked up significant success in publishing short content. In its first 18 months, this platform, whose database includes over 50,000 texts, managed to sell over a million of its stories and articles. Perhaps this is the reason why well-known writers and columnists are vying to have their stories, on all sorts of topics, appear on this platform. The latest news, however, points to possible financial problems in the company and long delays in paying authors their royalties.

Byliner’s aim is to have everything certain authors have published on their webpage, from articles to interviews to unpublished stories, book reviews, short stories, etc. This way, users can use the service to learn more about their favorite authors through news reports, updates, and texts. Users can also follow these authors through the platform, send links to friends, and share whatever they want on their social media profiles. Byliner’s metadata system handles the job of making recommendations to users.

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

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

A study7 was commissioned prior to launching Thin Reads that revealed interesting information about this model. For example, it was found that 54% of the short eBooks that Thin Reads had in its database had been created specifically for this format and to be read digitally. A total of 14% had come from Amazon’s Encore program, or, in other words, come from a previously published work or one that had been transformed or updated. Non-fiction works (69%) outnumbered fiction titles in short form (31%). The study also uncovered the significant interest that publishers, the media, and online platforms had in this model.

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1.2. PAY-PER-USE. STREAMING/PAY-PER-VIEW

Pay-per-view is a business model that first appeared in the television sector. As its name suggests, it is a payment system which allows users to pay only for what they watch. Outside of the audiovisual industry, however, the term used is “pay-per-use.”

Carsharing is an example of pay-per-use outside of the audiovisual sector. Carsharing is the name of a recently created car rental company based in Madrid which only charges for the time its cars are used, not for complete days or weeks.

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

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

“A la carte TV” and “a la carte music,” etc. are other terms that are used. Canal Plus and Sky are two of television’s most emblematic examples. Streaming, or the live broadcast of an event (a football match, a concert, etc.), became popular through sporting events. YouTube and Dailymotion, two of the most popular video sites on the Internet, offer similar services. Online conferences and educational and training events are other ways of offering streamed content.

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

The real challenge, though, is making sure these products complement each other and that one does not replace the other. In a study carried out by Nesta in the United Kingdom on the plays that are streamed into cinemas, it was found that people who go to these performances are not discouraged from going to the theater. In fact, the opposite is true. They are much more inclined to buy tickets to see the play in person the next time. The study showed that these audiences actually enjoy, although on a different level, recorded performances on DVD and live streamed performances.

Under ideal circumstances, audiences would rather go to the theater in person, but many times because of geographical limitations or because travel and ticket expenses are not within their reach, streamed performances become the next-best option to enjoy a top-notch play. An avid theater fan from 20 years ago would find it simply incredible to know that today anyone who is interested in the performing arts or in music can, through their computer or their neighborhood cinema, have access to the entire concert season of the Berlin Philharmonic and

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8 http://www.nesta.org.uk/publications/beyond-creative-industries
the most important performances from the theaters in London’s Covent Garden, New York’s Metropolitan Opera, Milan’s La Scala, or the Bayreuth Festival. These institutions have before them the opportunity to multiply their audience and for each performance to be enjoyed by numbers beyond anyone’s expectations only a few years ago.

Some, like the Berlin Philharmonic, are not letting this business opportunity pass them by. This particular orchestra has acquired a high-definition audio and video system as a way of reaching their global audience. Though a huge initial investment was required, they believe that in the long run it will pay for itself and prove to be a source of additional income for the orchestra. They are now able to reach audiences around the world and make contact with their biggest fans who only want to listen to their favorite concerts over and over again. This model is based on the pay-per-view streaming of their concerts. This system has for the last four years allowed the orchestra to build up its archive, which is now an additional lure for audiences because they can not only experience live concerts, but they also have access to its growing archive of pre-recorded material.

In the time that the orchestra has had this service, it has only modified its prices once. Currently, a time-based model is being used, charging a flat rate per day, month, year, etc. Concerts held at the Berlin Philharmonic are advertised and promoted on social media sites. The two main windows that it uses are Facebook, where it has over 500,000 followers, and YouTube, where visitors can watch 3-to-4 minute promotional videos. It also has a Twitter account which is being followed by more than 50,000 fans.

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

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

Like the Met, London’s Royal Opera House streams several of its performances in high-definition to cinemas. It has also begun using market segmentation to promote its performances. One recent example is the way it promoted the ballet “Don Quixote” among its Spanish fans through newsletters and social media. The Royal Opera House has its sights set on the global market. On its webpage, fans can check the live performances calendar which also lists the cinemas where these performances are going to be streamed. The webpage even has a search box which tells users which cinema is closest to their particular city. Last season, the Royal Opera House streamed nine of its performances to a total of 38 countries.

Madrid’s Teatro Real also streams live high-definition performances to cinemas but does so through a platform called Palco Digital. This same platform also runs the Teatro Real’s on-demand video service. Palco Digital has not yet developed an application for mobile phones or tablets and is currently only accessible through its website. Milan’s La Scala and the Bavarian State Opera also stream select performances in high definition to cinemas. The performances that the Teatro Real streams are later sold on DVD and Blu-ray, providing it with an additional source.

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9 See [http://www.metopera.org/hdlive](http://www.metopera.org/hdlive)
10 See [http://www.roh.org.uk/cinemas](http://www.roh.org.uk/cinemas)
of income. In fact, several opera companies like the Royal Opera House and the Paris Opera have opened online shops. Recently, the Teatro Real decided to start its own service in conjunction with Universal Music Store, making 8,000 of its performances available for download in MP3 format. The difference between these two models is that the Royal Opera House and the Paris Opera operate actual physical shops which sell recordings of performances on CD, DVD, and Blu-ray, whereas the Teatro Real has partnered with a third-party platform to market its catalog online.

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

Like other large companies that sell online content, Netflix uses an algorithm to operate its recommendation system to keep its customers loyal. By mid-2013, Netflix had more than 32 million subscribers in the United States, Canada, Latin America, Scandinavia, Ireland, and the United Kingdom, each of whom could access their content on any mobile device or smart TV receiver. In 2014, the company welcomed 2.25 million new users, pushing their earnings to over a billion dollars.

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

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

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

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

Next Issue Media (NIM) has two pricing packages: “Unlimited Basic,” which includes monthly and bi-weekly magazines for $9.99 a month; and “Unlimited Premium,” which gives subscribers access to NIM’s entire catalog, including weekly publications such as Entertainment Weekly, People, Sports Illustrated, and The New Yorker, for $14.99 a month. Though these packs are charged monthly to subscribers’ credit cards, users also have the option to subscribe to individual magazines for between $1.99 and $9.99 a month or to purchase single issues of magazines for between $2.49 and $5.99.
Zinio, popular among tablet users, appeared in 2001 and has since developed an international interest, venturing beyond the borders of the United States, distributing local magazines from countries around the world. With 5,500 works and 12.5 million registered customers, Zinio is the largest of the digital publishing platforms. Following on the success of Netflix and Spotify, which will be discussed shortly, Zinio experimented with demand-based and subscription business models. Just over a year ago, Zinio created a new product, called Z-Pass, which allows its customers to receive their choice of three magazines out of a catalog of over 300 for $5 a month. Subscribers can mix and match the magazines they get each month as well as end their subscription whenever they want (something mobile phone users would love to do). Customers can even add more magazines to their subscription for $1.50 each, though certain magazines, like The Economist for example, cost more.

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

Kiosko y más, Spain’s leading digital publisher, is their answer to Zinio. Though Kiosko y más has its own iOS and Android compatible apps for mobile phones, it does not have a desktop version. Paradoxically, some of its online magazines cost more than their hard copy counterparts, like iCreate for example. Kiosko y más offers its users 72 newspapers (five of which are first editions), 252 magazines, and more than 700 other publications including many supplements from more than 56 publishers. The platform has also recently partnered with Casa del Libro so that its app users can read books online as well. Single articles can be purchased for approximately 0.89€ whereas an annual subscription to a newspaper can run between 100€ and 200€. The prices of magazines available on Kiosko y más vary according to their content and genre.

In the book industry, Overdrive and Oyster were the first initiatives that resembled the business model just described, which is somewhere between pay-per-use and a subscription. Overdrive was the first to offer pay-per-use content. It allowed libraries to offer their patrons publishers’ entire catalogs for free and only required payment when eBooks were borrowed. Movies could also be lent out the same way after agreements were reached with production companies.

In the online library world, Overdrive’s model was followed by Hoopla, an audiobook company that offers its system free to libraries. Hoopla recently announced that in addition to its audiobooks, it was also going to offer eBooks, movies, TV series, music, etc. Its business model is based on providing a service that is free to patrons. Once the library has paid a sign-up fee, all patrons need to do is to show their library card to be able to view content on any number of devices. At Book Expo America 2014, Hoopla announced that they hope to partner with as many publishers as they can before starting their service. Their content will be available 24 hours a day. According to Hoopla, their initiative stems from the demands of current service users and from the transformation taking place in which users can access content on their mobile devices with a single click.

One of the main advantages publishers see in the pay-per-use model is the chance to make eBook sales even more profitable. Oyster, following this thinking, is responsible for definitively revolutionizing the Netflix model in the book world. This New York-based start-up, founded in 2012, launched an app for iOS at the end of 2013 which was later expanded to be compatible on Kindle and Android devices as well. Through these apps, users are given unlimited access to more than 100,000 books for $9.95 a month. Like on Netflix, Oyster users can search for content by title, author, and genre or use the reading recommendations provided by the platform. One notable feature this platform has is that users can read individual chapters. HarperCollins and Smashwords have already

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signed agreements with Oyster as have many independent publishers. Not too long ago, Oyster decided to, in addition to its apps, make its online reading service available for PC use on all browsers.

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

In the publishing sector, there are two digital initiatives that are examples of pure pay-per-use. ValoBox and Total Boox believe that this model is the most flexible way of accessing literature. For example, who has not put a book down never to pick it up again after reading just a chapter or two? These two initiatives hope to solve that problem. Users of ValoBox pay only for the number of pages they read online. ValoBox correctly believes that, in terms of publishing, online content belongs to a different ecosystem than conventional content, which is why it created its publication and reading-access model. From a business standpoint, content is king; therefore, it needs to be more integrated into its natural habitat – the Internet. Another of the platform’s features is that books can be directly accessed through comments made on Facebook and Twitter. If a reader makes a comment or writes a review using a widget that links directly back to the platform, another user can access the book being commented on straightaway and begin reading whatever it was that caught their eye.

This type of business model is actually a social selling model because whoever posts a link to a book receives a 25% discount if someone makes a purchase as a result of that link. Publishers, for their part, receive at least 60% of the sale. The platform also offers users lots of practical tools to promote books on their webpages, blogs, or social media profiles. All of the buzz that these books generate is recorded, giving ValoBox the opportunity to analyze the data in real time to see how sales are going and how and where their books are being read. No specific reading device is required because the app uses HTML5 technology, making it possible for users to read their eBooks on any up-to-date browser. To make downloading content problem-free, ValoBox stores it in the cloud for easy access.

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

The application provides the platform with all sorts of information about users’ reading habits and the way they use the system. This particular case is the most radical example of pay-as-you-go in the publishing sector. In other cases, the model resembles (or is) a subscription model, but with different features that will be explained shortly.

When talking about pay-per-use in Spain, Conlicencia’s initiative deserves special mention. Conlicencia, a platform developed by Centro Español de Derechos Reprográficos (CEDRO – Spanish Reproduction Rights Centre), is a pioneer in the sale of pay-per-use licenses to reuse book, magazine, and newspaper content in Spanish and in other languages. Authorization for companies, educational centers, and public institutions to reproduce and share fragments of copyrighted content in can be obtained using this platform.

This platform has managed to synthesize and automate the entire copyright management process so that users can take care of everything quickly and easily over the Internet.

Accessible from anywhere in the world, Conlicencia can provide clearance for any of the works in its repertoire to any organization in any part of the world. Its global capacity, then, is what makes Conlicencia a useful tool for responsible information management with respect to intellectual property rights laws.
In addition to what authors and publishers receive for the sale of or for subscription rights to their work, they can monetize the use of their copyrighted content by means of two services offered by Conlicencia: its pay-per-use licenses for fragmented content and its annual flat-rate licenses.

Conlicencia currently has more than six million works in its repertoire subject to pay-per-use licenses. Though the majority of these works were published in Spain, it is the platform’s objective to grow and to expand its repertoire to include works from other countries, especially those on the other side of the Atlantic. Recently, in fact, Conlicencia added catalogs from Argentina and it now has its eyes set on Colombia as well. Agreements with multinational publishers are also in the works.

Conlicencia’s flat-rate licenses provide clearance to use works from 30 different countries. Users can consult prices for various types of custom solutions for companies, educational centers, and public institutions.

Conlicencia is fundamentally configured to be an easy-to-use, intuitive, transparent, flexible, and safe tool for users of fragmented content. In addition to being available in Spanish, English, and Portuguese, the platform also accepts payment in euros and dollars to make transactions easier.

In four simple steps, organizations can obtain the right type of authorization they need to copy and share content among their employees, students, or customers. The first step is to select the work to be reproduced, either by author, title, publisher, or ISBN. In step 2, users are asked to specify and describe the intended use of the content. In step 3, users need to specify how many pages they want to use as well as the number of intended recipients. After that, users are issued a quote for their license and, if they accept the quote, step 4 is to confirm the purchase and process the license. Users are informed of the status of their license at all times.

Conlicencia has partnered with the British Library to handle the petitions for content it receives because the library currently does not offer a service like this.

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

It is clear that the digital economy is both flexible and proactive, as the previous examples have shown. Subscription-based business models follow the same path as these flexible models. After discussing the Netflix paradigm, it is now time to take a look at some of the characteristics of the subscription model.

One of the advantages of this model is that it allows companies to work with a fixed client base and a specific timeframe (a week, a month, a year). This translates into a constant flow of revenue, or positive income, since subscribers pay up front. True pay-per-use is different, though. In terms of business planning, this system provides a clearer vision of the real needs of the company.

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

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

EA Labels, a well-known video game developer, has for some time released its most popular games on a subscription basis. One such example is Battlefield Premium, a war game with over 1.5 million subscribers. Other video games, like World of Warcraft and The Elder Scrolls Online, are played by millions of people around the world. These games fall into the category of Massively Multiplayer Online Games and are accessed by means of a subscription system in which users pay a monthly fee.

There are several platforms in the audiovisual industry whose pay-per-use systems could also be classified as subscription models. In the music sector, Spotify is one of these examples. In 2008, Spotify began offering its streamed content service on a subscription basis using the Freemium/Premium model. Today, it has 40 million users, 10 million of whom are paying subscribers. Spotify manages restricted rights for record labels that include Sony, EMI, Warner Music, and Universal. The platform, developed to give users an alternative to P2P models such as Napster, both includes and relies on its new releases. Netflix, in contrast, bases a large part of its business on older movies and TV series stored in its video archive.

Spotify’s subscribers can listen to all the music they want on an unlimited basis for up to six months. After that, they are limited to 10 hours a month. Freemium users have to listen to ads between songs while Premium subscribers can enjoy their music ad-free and download songs, in addition to having other advantages. Freemium users are offered a 48-hour free trial period to see what it would be like to have a Premium account. Spotify, in the end, applies a combination of three models: subscription, Freemium/Premium, and free with advertising. Users of Android and iOS devices have had access to Spotify’s app since 2013, but it is still not available for Windows. Spotify’s model has been widely criticized by artists and record companies, especially when it was first introduced. They did not see how it could make any money. A standard subscription costs $10 a month, 70% of which goes
to copyright holders while the remaining 30% is kept by Spotify\textsuperscript{12}. On average, copyright holders receive between $0.006 and $0.0084\textsuperscript{13} per stream.

Spotify’s most direct competitors in the music industry are Pandora and Beats Music. Pandora, which is only available to residents in the United States, Australia, and New Zealand, markets itself as an online radio station and as the online customized recommendation service for Last.fm. While users are listening to a song, the platform offers them the possibility to buy it or get the entire album from a number of online shops. Pandora’s service has two types of subscription plans, similar to Spotify’s. The first plan is a free subscription subsidized by advertising revenue, and the second is a paid subscription without ads. Unlike Spotify\textsuperscript{14}, however, Pandora bases its model more on its powerful recommendation algorithm and the sale of its technology through apps and mobile devices.

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

In spite of the criticism this model has received in its sector, its list of subscribers continues to grow. The total number of subscriptions to music services is expected to more than double by 2017. However, despite the fact that private investors have injected more than $1 billion over the past decade into promoting subscription-only music, only the music industry and users have benefitted so far, not shareholders\textsuperscript{15}.

How have subscription models been adapted by the publishing business, apart from the Netflix-style models? Print media were the first to develop different types of subscription models. The Financial Times and The New York Times were the first to test the concept of paid content online, stepping away from the generally accepted model of offering online content for free.

In May 2002, the Financial Times established a subscription system to access the content on its website. Although FT.com does allow users access to a certain amount of free content, most of it is only available through three levels of paid access. Today, in addition to the 2.7 million visits it gets a month, the newspaper has more than 665,000 subscribers, two thirds of whom are online users, which accounts for more than half of its total revenue. More than 35% its income comes from online subscriptions and advertising.

\textsuperscript{12} See http://www.spotifyartists.com/spotify-explained/, a page clarifying the business model and the payment of royalties, created to put a stop to criticism of the platform by artists.
\textsuperscript{14} See http://www.abc.es/tecnologia/redes/20130304/abci-spotify-pandora-comparativa-201303041050.html
\textsuperscript{15} http://www.computerworld.com/s/article/9246365/Music_industry_sucks_life_from_subscription_services?taxonomyId=71&pageNumber=2
FT’s subscription model is also sustained by data analysis. The Financial Times compiles information on its readers, who represent a very special niche audience in the world of finance, and sells it to advertisers interested in getting their hands on such a customized list. Much of FT’s success can be attributed to its mobile version. Visits to FT content on mobile phones represent 45% of the total traffic, in large part due to the customizable news service it offers to mobile device users. In addition, 10% of its online advertising revenue comes from mobile content and approximately 25% of the new digital subscriptions it receives every week are for mobile devices.

The New York Times, whose webpage receives nearly 30 million unique visits a month, now has more than 800,000 subscribers to its print version which is read by more than 65 million people a month. It began its online subscription program back in 2011 and, since then, has experimented with its pricing plans, which have ranged from $15 to $35 a month, its services, multimedia content, eBooks, organized events, and even data analysis in its attempt to sway subscribers who may want to cancel their subscriptions.\(^\text{16}\).

\(^{16}\) See [http://www.technologyreview.es/read_article.aspx?id=44816](http://www.technologyreview.es/read_article.aspx?id=44816)
Many other publications have adopted similar subscription models, including The Wall Street Journal, The Economist, and Spain’s daily newspaper El País.

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

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

**Safari Books Online** may have been the first to apply a subscription model in the book world. Its eBook subscription service is steadily gaining ground, though its focus is on the niche markets of design, technology, IT, etc. Safari Books Online was founded in 2001 as a joint venture between O’Reilly Media and the Pearson Technology Group. Its content is not just limited to books and eBooks, it also has videos, conferences, audiobooks, short-form eBooks (shorts), and even unfinished manuscripts. The first to be called “the Netflix of books,” Safari currently has more than 150 employees and a catalog of over 27,000 books and videos. Monthly subscriptions begin at $24.

**SAFARI SUBSCRIPTION FEES:**

![Safari Subscription Fees Table](https://www.safaribooksonline.com/pricing/)

Source: [https://www.safaribooksonline.com/pricing/](https://www.safaribooksonline.com/pricing/)

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Andrew Savikas, CEO at Safari Books Online, says that their model, rather than a subscription model, is a “package” because of the diverse content it offers potential users\(^{20}\). Most of this platform’s users read their books online, probably because most of the books it carries are technical manuals which subscribers use at work or which they need to consult on a regular basis. More than half of the books accessed by Safari users are over two years old because their niche is so specialized. This proves, then, that the subscription model for eBooks is best suited for niche markets.

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

In this Freemium/Premium-based subscription model, users who want to access eBooks for free are given limited access to 24symbols’ catalog and must support advertising embedded in their content. Premium users, however, have unlimited ad-free access to all of its content through one of several paid subscription plans. The Premium version also allows readers access to their content offline. Prices begin at 9.99€ a month, 19.99€ for three months, and 59.99€ for a year’s worth of access\(^{21}\).

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

24symbols has since partnered with mobile solutions company Zed to increase its global reach. In the agreement, Zed was given 32% of the company. Zed’s client base has more than 400 million users thanks to the alliances it has with over 200 service providers and operators. The most recent data on 24symbols indicates that its own client base is nearing the 200,000 mark. 24symbols gives its users access to more than 15,000 books from over 120 publishers in Spanish, English, and other languages.

Other platforms that take advantage of the social cloud-based reading trend and the subscription business model have begun to emerge. One of the first was Booquo, now called Nubico, which was born out of the union of Telefónica and Círculo de Lectores. Nubico’s premium service, currently available for 8.99€ a month, though the price may change at any time\(^{22}\), gives subscribers unlimited access to a select catalog of over 3,000 books which can be accessed via mobile devices.

In addition to its catalog of eBooks in Spanish, which Nubico offers in a streaming-like model, the platform’s offer also includes streamed movies and performances such as concerts, plays, etc. which appeal to a diverse community of users and not just the eBook crowd.

In Europe, Skoobe, a German platform, also follows this model. In Skoobe’s subscription model, users do not purchase eBooks. Rather, their subscription allows them to read books on their tablets or smartphones thanks to Skoobe’s reading application. The platform also has a personal library function that lets subscribers arrange books in any way they want. It works more like a lending library but with the added bonus that all of its books are available all of the time.

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20 See http://www.futurebook.net/content/10-questions-about-subscriptions-andrew-savikas-safari
22 See https://www.movistar.es/rpmm/estaticos/residencial/fljo/servicios%20digitales/cp-nubico.pdf
A subscription to Skoobe’s content currently costs 9.99€ and allows subscribers to borrow a maximum of five books at a time. Before they even have to register, Skoobe lets users read the first 30-40 pages of their books. The interface is fairly friendly and the eBooks can be read on up to three devices. This start-up platform has a wide-ranging catalog that includes a lot of recently published works. Having teamed up with more than 70 of Germany’s most important publishers puts Skoobe in a position to offer its readers quality, in-demand content. The company is thinking about expanding beyond their current German readership, possibly taking on the English-speaking market by establishing a foothold in the United Kingdom.

The latest company to adopt this model is Amazon, which has just launched its own subscription service but about which little is known. As of now, the project is still in the beta phase and service is only available to residents of the United States. Amazon’s subscription service for eBooks and audiobooks, called Kindle Unlimited, will cost $9.99 a month and will, they say, give users access to more than 600,000 works (500,000 more than Oyster).

In the education sector, Scholastic’s use of this model deserves mention. Scholastic has started two subscription programs for school books called Storia School Edition eBooks and Core Clicks23. A subscription to these collections gives readers access to a library of more than 2,000 books including both classic and contemporary fiction as well as non-fiction titles. Through these programs, students have unlimited access to content at school and at home on their PC, laptop, tablet, or mobile phone. What is more, this type of free access means that several students can use the same content at the same time without having to wait for their classmates to finish.

The platform allows teachers to keep reading records, available for all levels, so that they can check on students’ progress. In addition, these records can show what teachers are including in their activity reports and what the students’ reading level really is. Teachers and students alike can create their own virtual libraries and organize reading groups. The program also includes short articles, literary passages, a highlighter feature, dictionaries, textual analysis, pronunciation tools with audio, and exercises to improve concentration while reading.

The first assessments of this model in the publishing sector have started to come in and they seem to be positive. A recent report sponsored by Safari and a number of other publishers and published by the Book Industry Study Group24 found that 80% of publishers believe that the subscription model for eBooks will be both an inevitable and an important part of the sector. Of the publishers that have implemented a subscription service, only 7% of those surveyed said that subscription services contributed significantly to their overall revenue today, but 59% expected that to change within the next five years.

According to the report’s conclusions, “one major concern surrounding the increase of eBook subscriptions is the potential degradation of high-value markets.” As was said earlier, the popularity that subscription models have with users in the music or television sector is not exactly applicable to the book industry. The report also stated that the publishers that implement subscription models must perform a difficult balancing act that relies heavily on user behavior because, not only do companies need to get people to subscribe, they also have to keep them loyal so they continue subscribing. In other words, publishers need to ensure that their subscribers are being provided with a minimum amount of reading options if they want them to stay.

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1.4. MEMBERSHIP

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

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

Membership, however, means belonging to a group, which could be any type of company that markets services or content. Therefore, a user could be a member of a fan club or a book club, for example, but in order to receive a service or to access content, a subscription, whether annual, quarterly, or monthly, must first be paid. To cite an example from the insurance industry, policy holders are the ones who pay (subscribers) while the people covered by the policy (members) do not. In short, a subscription implies regular payment whereas being a member means belonging to something such as a club, a newspaper, an insurance company, a community, etc.

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

The membership business model can require a fee in exchange for member status. This model is closely linked to the web services that were mentioned earlier. For members, the subscription fee is secondary because the website or the platform itself is their ultimate goal, it is the place where they want to be.

For example, users of web services like Match.com, the dating platform, are not mere subscribers but rather members who drive the business they belong to. In The Ladders, an employment networking platform, users are treated like members of a community.

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

Often times, the difference between membership and subscription models comes down to subtle differences, to a matter of semantics. In the media industry, in addition to building loyal communities, companies are becoming more and more active in creating other types of content (eBooks, videos, courses, etc.) around the content that they typically offer. They are looking for a membership model that goes beyond subscriptions, a model intended to be directed at their most loyal and avid readers.

For example, National Journal, a political journal belonging to Atlantic Media's National Journal Group, has a membership service. Members of this service are given unlimited access to the group's publications, to exclusive research tools, summaries of news articles, databases, workshops, and to other executive services that are directed primarily at active politicians.
The Guardian is studying how to incorporate new forms of membership, possibly through offering its members exclusive content or by giving them live content. In fact, The Guardian is considering renting an events hall in London solely for this purpose. Both methods are meant to implicate readers more and to make more money²⁵. Pando, a popular technology news website, recently launched a membership service to give its readers priority access to its monthly events. Pando also plans to give members access to its quarterly magazine. For the moment, the idea, which is still in the beta phase, is to charge approximately $25 a month (or $300 a year) for membership to the program²⁶.

Slate, a well-known online magazine that focuses on political, social, and technological topics, recently released Slate Plus, its new membership program. Like with The New York Times’ Times Premier, members of Slate Plus can book tickets to events at reduced prices. Slate Plus members pay $5 a month or $50 a year to gain access to special editions and podcasts. They can even edit and write articles, participate in the magazine’s internal discussion forums, and give advice to the magazine itself or to its readers.

1.5. FREEMIUM/PREMIUM

Although this study has already mentioned a few examples of Freemium/Premium-based models, it is now time to discuss what this business model consists of.

Freemium, a term coined by Fred Wilson, is a portmanteau of the words “Free” and “Premium.” Freemium models have been around for years on the Internet. After Wilson, one of the Freemium model’s most outspoken advocates is Chris Anderson. The idea behind this model is to offer a product or content for free while reserving additional content for paid users, also known as Premium users. Sometimes, Freemium content includes embedded advertising or marketing. The hope is that advertising revenue and earnings from long-won-over Premium users can keep the business afloat, which is the case of Spotify.

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

Freemium as a business model originated in software services. Another common combination is to include advertising in the Freemium model while permitting Premium users to go ad-free. Spotify and 24symbols use this model. In the gaming sector, Freemium users, in addition to supporting advertising, can have their access restricted to a basic version of a game. Micropayments are then used to get players to pay in order to advance to higher levels or other worlds, a model sometimes also called pay-in-app.

²⁶ See http://pando.com/2014/04/17/were-launching-pando-memberships-in-beta-500-discounted-places-available-now-499-498/
Several different types of companies have used this model, from Adobe, in its Acrobat PDF reader, to Skype, the Internet telephony network. In the case of Adobe, users can use its free version of Acrobat to read PDF files, but if they want to modify or edit the content on these files, they need to pay for the upgraded version. As for Skype, the service is free for users who want to chat with each other, but calls to actual telephone numbers require users to have Skype credit, a prepaid balance from which to discount the price of the call. LinkedIn, the professional network, Dropbox, the cloud hosting service, iCloud, Apple's cloud, Flickr, the picture-sharing network, and Pandora are a few of the better-known platforms that use the Freemium/Premium model.

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

When a platform offers content for free, the only way for its Freemium/Premium model to be profitable is to have lots of active users every month. Even more importantly, as was said earlier, is being able to convert as many of these users into paying Premium customers and, if the platform has different levels of service, to get subscribers to buy into the highest priced plan. This model seems to be most successful in the app-based gaming sector, possibly because of the low cost of the micropayments involved. According to statistics[^27], 88% of the games in Apple’s App Store cost less than $1.99, and 62% of them are totally free. Depending on the genre, between 81% and 88% of the games in Google Play are also free, and the average price of paid apps ranges from $1.54 to

[^27]: [http://www.timesfreepress.com/news/2013/dec/10/wild-wild-web/]
$2.45, though some app prices fluctuate. Some games start out in app stores at premium prices, but after a few days or weeks their prices go down. The tendency, however, is to apply the Freemium model, allowing users to download games for free but restricting their options or progress if they do not pay for upgrades.

**FREEMIUM, THE MOST WIDELY USED MODEL IN MOBILE APPS:**

![Image of Freemium chart]

From the data listed below, it is clear that players are in favor of these Freemium/Premium services by the way they pay for extras in these games.

- **“Candy Crush Saga”** ($892,712 / day)
- **“Clash of Clans”** ($706,116 / day)

This sector also uses what are called “free trials” which allow players to try out a game for a certain amount of time before having to upgrade to the paid version, if they want full access to the rest of the game. The equivalent of this in the publishing sector would be to let users read a few chapters of a book for free. The difference between this model and pure Freemium, to call it that, is that free trials allow users to try out all or almost all of a game's features for a limited time while pure Freemium would be to let users play a basic version of a game for as long as they wanted. This is very similar to the free-to-play model in which players are given access to a significant amount of a game’s content without having to pay. Like all decisions of this nature, choosing between one model or another will depend on one's target audience.

From the data listed below, it is clear that players are in favor of these Freemium/Premium services by the way they pay for extras in these games.

See this blog for models and examples of the Freemium/pay-in-app/free trial models for different games [http://Freemiumdesign.blogspot.dk/](http://Freemiumdesign.blogspot.dk/)
“Game of War - Fire Age” ($456,947 / day)
“Pet Rescue Saga” ($216,604 / day)
“MARVEL War of Heroes” ($170,939 / day)
“The Hobbit: Kingdoms of Middle-Earth” ($143,404 / day)
“Hay Day” ($120,226 / day)
“Slotomania” ($101,409 / day)
“Deer Hunter 2014” ($86,951 / day)
“The Simpsons” ($66,912 / day)

Clearly, these are very respectable figures, though the nature of the consumers of this type of content and the low prices contribute to the level of success this model is having but which has not yet been reached in other sectors.

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

Flat World Knowledge, a well-known textbook publisher, was also behind another early experiment. This company has, since February 2009, published material on the Internet under a Creative Commons license, which means that not only can users access the material for free, but they can also reuse it and modify it as they please. Flat World Knowledge’s business model consists of selling the same book in different downloadable formats, such as PDF, chapters, and modules, while at the same time providing extra assistance. The advantages this publisher offers its authors include reduced publishing times, creativity support, and the chance to update their texts.

Students can read textbooks online for free and are only charged if they want to print the material (POD – print-on-demand) or if they want to download the eBook version. The Nubico, Skoobe, and 24symbols platforms, though they are not publishers, also fit into this model.

1.6. EMBEDDED ADVERTISING

This model is really another version of the Freemium/Premium model. It consists of offering free content but with advertising that has been embedded into it, as opposed to the Premium model in which users can enjoy ad-free content and other add-ons in exchange for payment.

Spotify and 24symbols are two international platforms that have adopted the embedded advertising/Freemium model. Other examples include the much-hyped Librotelia from Spain, and Germany’s eBookPlus. In this model, in exchange for the right to advertise their products, marketers and advertisers assume all of the costs associated with the books while readers are charged nothing. The ads, some of which may even be of interest to the reader, only appear for a few seconds at the beginning of each chapter. If readers do not wish to have advertising in their eBooks, they can either switch to a discount model and download content from the cloud, or choose a Premium model and read their books in HTML5 on their computers or through apps for mobile devices like smartphones or tablets.

29 Flat World Knowledge’s “Freemium” Textbooks Gain 140,000 Users, Average $34 Per Sale
Another service this model offers readers is the possibility of building their own eLibrary in the cloud, and not just with books acquired from eBookPlus. Users can then share their library on Facebook or Google+, where they can add notes, comments, etc.

Authors can choose to either get paid directly by the companies that buy advertising space, sell their eBook at a discount by advertising on someone else’s site, or go the traditional route and receive 70% of the profit. Sometimes, authors get paid every time someone clicks on the embedded advertising included in their eBooks. In fact, they can get paid whether their books are read or not, often when they appear in thematic searches, when users search for their book, etc. In these cases, authors receive 35% of the advertising revenue. However, the question many ask themselves is, to what extent authors should allow certain types of advertising in their works.

Studio W Digital, once a comic book platform called WOWIO, now dedicates itself to publishing digital content for mobile devices, including eBooks. Before its transformation, this platform was the first to embed advertising in the free PDF versions of its comic books which users could either read online or download. Other comics were for purchase only, with prices determined by the publishers. Every copy it gave out in PDF included the name of the person who had acquired the book. WOWIO later did the same when it gave out DRM-free EPUB files. According to this platform’s developers, the embedded content was unobtrusive. The ads were on separate pages, like in magazines. If readers wanted to learn more about one of the ads, all they had to do was click on one to be directed to that company’s website. In the future, this type of advertising could be customized to individual reader’s interests based on their book-buying history, their reading preferences, etc., which would improve the contextualization of online advertising.

Although embedded advertising is not a common model, there must be something to it for tech giants like Yahoo30 and Microsoft31 to go to the trouble of patenting their versions, though they can hardly be considered prominent representatives in the online publishing world. The guarantee this model offers is that companies know whether a reader has clicked on their ad or not. When companies advertise in print media, they are paying for an entire print run without knowing if all the issues will even be sold.

One last comment about this particular Freemium model is that it is just getting started. It has not yet been demonstrated, though, that embedded or contextual advertising can maintain free content, so it is still necessary to get Premium customers to subscribe.

1.7. OPEN ACCESS

Open access (OA) refers to any type of access for which no subscription or payment is necessary32. This model is most often used to offer educational, scientific, and academic materials that are directly related to the management of acquisitions and loans in digital libraries, such as the Miguel de Cervantes Digital Library in Spain, Gallica in France, or the international Internet Archive, Open Library, or Europeana libraries. In Spain, scientific publications and repositories, like those of the Spanish National Research Council, are OA33.

31 http://es.engadget.com/2012/08/07/microsoft-patenta-publicidad-contextual-e-books/
The collaborative platforms that use Wiki technology, like Wikipedia itself, are also based on the open access model. Wiki platforms allow users to collaboratively edit content, thus transforming the mechanisms, such as the creation, transmission, and access to content, and the logic behind the business of culture. The move is on towards a progressive democratization of all of the stages of this process.

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

According to Abad, there are different types of open access models that scientific publications use which range from completely open to mixed models.

a. Open access journals that are free for authors and readers. The newer OA journals often adopt this model. These journals can be funded by members, through donations, or by sponsors, at least initially. Afterwards, they need to make the transition to another model of funding, most often the “author pays” model.

b. Open access journals whose online versions are free for authors and readers but whose print versions are sold by subscription. This model is adopted primarily by well-established print journals that can rely on the constant revenue provided by their subscribers.

c. The authors pay the open access journals. Some OA journals, like BioMed Central and PLOS ONE, require authors to pay to have their articles published. The fees can be paid by the authors themselves, the institutions they represent, or the libraries or agencies that have funded their research. Another similar model allows authors to buy a lifetime membership which gives them the right to publish a certain number of articles per year.

d. Journals which grant free access to specific content. Most scientific journals allow partial free access to their content. According to Abad, the only difference between these journals and OA publications is that the former maintain the copyrights on their authors and articles.

e. Journals that allow free access to content after an embargo period, also known as delayed open access. For example, while paid subscribers are given immediate access to content, the rest of a journal’s readers are only allowed access after the embargo period has ended, which often ranges from 6 to 24 months. In certain scientific fields, like medicine, timely access to the latest research results is especially important. The use of this type of model, then, does not normally reduce a publisher’s subscription revenue.

According to “Open Access Strategies in the European Research Area,” 50% or more of the articles in academic journals published between 2008 and 2011 in Belgium, Brazil, Croatia, Denmark, Estonia, Israel, Lithuania, Macedonia, Malta, the Netherlands, Norway, Portugal, Switzerland, and the United States were open access. It is estimated that in Austria, Cyprus, Finland, Hungary, Iceland, Latvia, Liechtenstein, Luxembourg, Romania, Slovakia, Slovenia, Spain, and Sweden, similar articles also reached the 50% mark.

35 “What happens when you make a book open access? New business models are emerging, but challenges still remain” http://blogs.lse.ac.uk/impactofsocialsciences/2013/11/08/open-access-monographs-challenges-remain/
An important study published in 2012 reported on the results that the impact open access content has had on the publishing sector in the area of academic and research publications. In the study, carried out by The Publishers Association and the Association of Learned, Professional and Society Publishers, those in charge of acquiring publications in libraries were asked whether, after being able to access content for free for six months, they would renew their subscription.

To be able to make distinctions regarding their acquisitions policy, the question was asked about publications from two different fields. The first field or group contained scientific, technical, and medical journals, and the other group was made up of journals whose content focused on the humanities, art, and social sciences. The overall result of this experiment was that 56% of those responsible for scientific, technological, and medical journals in libraries would continue to subscribe while those who oversaw humanities, art, and social science publications would only renew 35% of the time. From these and other results published in the report, it can be deduced that smaller publishers would feel the loss of subscribers earlier and, as a result, would find it more difficult to continue working in the way they have been up until now.

In many cases, it is the authors who take it upon themselves to give this model a try. One example of a professor-led initiative is that of Charlie Mitchell. Mitchell, a theatre professor at the University of Florida, decided to make his textbook on theater studies open access, which saved his students $115 each, the cost of a similar textbook, though they still had to pay to see the performances required as part of the course syllabus. The initiative sparked an interest among the other professors, creating the beginning of an alliance which is discussed on the Open Access Textbooks webpage. Here, readers can consult the different licenses, models, strategies, etc. associated with the open access of textbooks.

John Wiley & Sons, also known as Wiley, was one of the first reputable publishers in academics to give the open access model a try through its Wiley Open Access program. This publisher, currently specializing in the publication of scientific and technical materials, openly publishes research and studies on neurology, microbiology, ecology, and evolution. The company also publishes the results of its annual research along with other quality content. Their new journals are being developed in collaboration with an international group of professional and academic societies. All of its articles undergo rigorous review by an editorial board. Their publications are published under a Creative Commons license which permits them to be used, distributed, and reproduced by any means as long as the original work is duly cited and the publication is used for non-commercial purposes.

Wiley also offers a series of new payment models for those academic and research institutions, donors, companies and corporations that wish to support the project and its researchers and who want to publish in these open-content journals. According to Steve Miron, senior vice-president of Wiley, this initiative is “a natural extension of our service to our learned society partners, authors, and the scholarly community in its broadest sense.” It is also a way to be able to publish papers quickly and to reach as many readers as possible. Springer, Wolters Kluwer, Flat World Knowledge, and Elsevier have also added open access works to their publications.

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36 The Publishers Association releases report detailing the potential effect of making journals free after a six month embargo http://bit.ly/1sB24PJ
37 See http://www.openaccesstextbooks.org/
38 See http://www.wileyopenaccess.com/view/index.html
39 “Flipping Journals from Subscription to Open Access” http://www.elsevier.com/connect/flipping-journals-from-subscription-to-open-access
1.8. P2P – MOOCs

Whereas open access is a model aimed primarily at those in the academic, scientific, and educational fields, the peer-to-peer (P2P) model has its roots in technology.

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

The incorporation of new tools, new ways to access cultural content, and the shrinking prices associated with the digital economy, not to mention the logical changes in people’s habits, are causing these networks to fall out of use. According to a study on the management of cultural content on the Internet, it is clear that the users of these networks are not big readers. Books only make up 0.2% of the total downloads, and that includes audiobooks and comics. It is also possible that some of these books are even poorly scanned PDF files or private documents. The legal vacuum and the disinformation surrounding the P2P model has even resulted in publishers uploading their eBooks to some of these platforms where they are stored next to files that are unfit for sharing.

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

Peer review is the review by one or more people from the field of research that an author wants to publish in. Though the method is becoming more common, it has yet to be standardized. Peer review helps the publishing process along, especially since most publications take too long to see the light of day after they have been submitted. Peer review guarantees that articles are read and approved by other experts in the subject matter, thus removing the possibility that they are low quality papers or that the science has not been checked, two complaints often associated with open access content. In some cases, the members of peer review boards are paid and other times their own articles are reviewed in turn by scientists or specialists in the same field, which is often the case of PLOS ONE.

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

Through this online study system, students from around the globe read, share resources, exchange ideas, and debate on assigned topics. In addition to developing the curriculum, the university’s faculty, made up of both paid and volunteer professors, also participate in and supervise assessment. This university uses open source software

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and online teaching methods. The only requirements students need to have to enroll are Internet access, a high-school diploma, and a certain level of English.

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

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

This type of educational model is also based on collaboration, getting students and the educational community involved, on real-world experience and new teaching methods, as well as on emotional development and how students can incorporate new technologies into their lives. Because its main focus is on innovation and continuous learning, Edutopia’s webpage provides users with a multitude of resources, conferences, examples, advice, tools, etc., all of which are constantly being updated. The webpage’s video section has a wide range of documentaries in which viewers can see examples of success in innovation or pioneering projects in specific sectors or locations. The point of these videos is to highlight the importance of supporting local development efforts. Edutopia also has the support of diverse groups and communities that help reinforce its educational approaches.

Other examples of the P2P model include Aristotle Circle and Khan Academy, a virtual, not-for-profit academy that has over 70 million lessons and more than 2,500 tutorials on YouTube which are seen by a million students a month. While many courses may be classified as free access, there are variations out there like the ones mentioned earlier or like some of Coursera’s courses, which are paid MOOCs.

More than just a trend to watch, MOOCs are rapidly becoming more and more prevalent around the world. Important, prestigious universities such as Harvard and Massachusetts Institute of Technology are developing new online teaching methods like those found in their edX platform. Other similar platforms are Udacity and The Open University. Even the Museum of Modern Art is jumping on the MOOC bandwagon. Massive Open Online Courses are rapidly multiplying and generating lots of discussion in education circles. This type of course needs to use technology that is both sophisticated and easy to work with. The fact is that there are already many different platforms with many strategies and methodologies that are using these quick-and-easy systems that are so typical of MOOCs.

According to a survey on online education and MOOCs in the United States, more and more students are enrolling in online courses. It is estimated that more than 6.7 million students, 32% at the university level, have chosen to go this route. The conclusions of this study consider these numbers to be low, with lots of room still for growth. The study also reports that 30.2% of chief academic officers believe these courses to be less relevant than face-to-face classroom teaching, though 69% believe that they are critical to their long-term educational strategies.

43 Changing Course: Ten Years of Tracking Online Education in the United States http://www.merlot.org/merlot/viewMaterial.htm?id=723077
Many institutions have not implemented online courses because of lack of teacher support, doubts about stu-
dents’ commitment, the costs involved, etc.

This type of course may also include content and materials that are copyright protected, which is where platforms like Conlicencia can become useful in managing clearance. Like in other sectors, such as total number of eBook platforms, Spain is at the top of the list of European countries with the most MOOCs, with 203 out of a total of 597 for the entire continent.\(^{44}\)

Outside of the educational sector, the P2P model resembles the examples mentioned at the beginning of this sec-
tion. Controversial service apps that put users who are traveling in the same direction in contact with each other, such as Uber, Câbify, Zipcar, or the French BlaBlaCar\(^{45}\), are based on the P2P model. Sometimes users share costs and other times they negotiate a fair price based on a minimum fee which is always cheaper than taking public transportation, which is why taxi drivers consider the service to be unfair competition. Truth be told, many of the apps that offer services based on this business model need to be regulated so that they do not represent unfair competition for other models or companies, which is what is happening in some of these examples.

\(^{44}\)http://www.openeducationeuropa.eu/es/european_scoreboard_moocs. NOTE: Ample up-to-date information about MOOCs is available, and has grown significantly in recent years. The intention is only to highlight the existence of this educational model, which deserves its own detailed study. For a more comprehensive overview, see “Proceedings of the European MOOC Stakeholder Summit 2014,” http://www emoocs2014.eu/sites/default/files/Proceedings-Moocs-Summit-2014.pdf and the eBook Beyond the MOOC Hype: A Guide to Higher Education's High-Tech Disruption, by Jeffrey R. Young.

\(^{45}\)“Los inversores sí creen en la economía colaborativa: 100 millones de dólares para BlaBlaCar” (Investors do believe in the collaborative economy: $100 million for BlaBlaCar) http://www.genbeta.com/web/los-inversores-si-creen-en-la-economia-colaborativa-100-millones-de-dolares-para-blablacar
There are other Internet businesses that follow this model of sharing in the new collaborative economy, although it may not be so evident at first glance. Some of these companies include Airbnb, a vacation property platform, and Zopa, Lending Club, and Fixura, which are all loan platforms, in addition to eBay and Match.com. eBay, for example, puts buyers and sellers of all sorts of products in contact with each other. In Spain, Wallapop matches buyers and sellers using geolocation technology, like Peerby. Match.com, the dating website, does the same with people of the opposite sex. These businesses are based on bringing people together on a participative platform to provide each other with services and products. In a word, these platforms are based on the idea of sharing, which is fundamentally connected to the digital world.

It has been said that the growth of this type of initiative, and in fact one of its values, is due to the general dissatisfaction consumers have with conventional companies as a result of the recent economic crisis. In the United States, the exchange economy has increased by 25%, which is more than in Europe although the trend there is definitely on the rise. In fact, some have seen the growth of this economy as a warning sign for traditional business models and savings systems which are now faced with citizens who prefer to rent or to share products and services.

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2. New Models: Somewhere Between Experimenting and Rationalization
2.1. PAY-WHAT-YOU-WANT

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

The PWYW model was first used in the music sector when, back in 2007, the band Radiohead decided to let its fans pay what they wanted for its new album “In Rainbows,” even if they did not want to pay anything at all. In the end, only about 38% of the band’s fans decided to pay; the others chose to download the album for free. The average price paid in the United States was $8.05 per album, or $3.23 when all of the free downloads were averaged in. Even so, the campaign had another effect. In just 24 days, the album was downloaded 2.3 million times from BitTorrent, with 400,000 downloads the first day alone.

Amanda Palmer, a lesser-known artist, had more success with her strategy. According to her story on TED talks48, she was able to make more than a million dollars using the Kickstarter platform.

In the publishing sector in 2007, Paste, a mostly music and culture-themed magazine, offered readers a year’s subscription using the pay-what-you-want model in a campaign that lasted two weeks. The time limit was crucial to motivate its fans to take the next step and accept the magazine’s reasonable offer to become new subscribers. Paste’s efforts paid off, to the tune of $275,000 and 30,000 new subscribers, or roughly $9 per subscription. Many companies decided to advertise in the magazine because of the buzz created by the campaign, which also allowed Paste to raise its advertising rates.

Another unique example of a platform that decided to give the PWYW model a try was Gumroad. Gumroad is an eCommerce platform through which users can sell directly to buyers at very low prices. One day, an author who had put his book up for sale for $3 but was not earning much money decided to sell it for whatever the users of the platform wanted to pay, from $0 to a little over $1. In a few weeks, sales increased dramatically and his books were selling for an average of $5 each, increasing his earnings by 60%. The shock effect, coupled with the stir it caused, actually encouraged people pay a fair price, at least in this case49.

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

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

GoBank is perhaps the most prominent example of new ways to attract clients using the pay-what-you-want model. This bank lets its clients set their own monthly account service fee which can be anywhere from $0 to $9.

48 http://www.ted.com/talks/amanda_palmer_the_art_of_asking
49 See http://blog.gumroad.com/post/75707736685/is-pay-what-you-want-pricing-for-you
GoBank is unique in that it was designed exclusively for mobile users. All of GoBank's features and services can be managed through a mobile device, including person-to-person transfers. There is no charge for this service regardless of which bank the recipient belongs to.

In their book *Smart Pricing* (2010), Raju and Zhang from Wharton School suggest several key aspects\(^5\) to keep in mind when choosing to implement this apparently risky business model:

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

An extreme case of PWYW, or more correctly pay-what-you-CAN, comes from the performing arts. Debbie Wilson, a choreographer by trade, decided to present a draft of her new work at the Winchester Street Theatre in Toronto\(^5\). Wilson hired dancers from a nearby dance academy and asked the audience to “pay what they could.” In return, Wilson only asked them to bring their mobile phones with them so that during the performance they could tweet their thoughts on the show called “The Eyes of Helios” using the hashtag #helios.

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

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

Within this sector, OnlyIndie, a bookshop that specialized in new and independent authors, also wanted to experiment with the pay-what-you-want model. Every eBook it sold started out at 0€ a copy. Only after the first 15 downloads did the platform begin to charge for their eBooks. Little by little, cent by cent, the eBooks reached a fixed sales price that ranged between 2€ and 8€. OnlyIndie has since closed its doors because, even though it had its own niche market and such attractive prices, it could not compete with the likes of Amazon.

Much more recently, leedona was created. This Chilean platform presents itself as a place where readers and writers from all over the world can share their works, read, and discuss their ideas. Its main function is providing online self-publishing services so that authors can publish their eBooks without any initial costs.


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

However, the novelty of leedona’s system, which no one else has yet imitated though there are similar systems out there, is in its direct donation-based business model. Readers cannot download a second book until they have donated the amount of their choosing, from 1€ to whatever they want, to the author. The platform encourages readers to be as generous as they can in order to cover costs and to not just donate the 1€ minimum. From the donations received, leedona keeps 30%, which it uses to defray expenses such as PayPal fees, taxes, and legal costs.

Lastly, there is the case of Istoria Books, the independent publisher of mysteries, which may be the least known but one of the first to adopt this model. In fact, Istoria Books actually registered the slogan “pay what you want.” Their readers can purchase eBooks for less than $5 a copy. This platform pays authors a flat rate for their short stories, instead of paying advances, and also takes care of the cover design, the ISBN, promotion, and distribution through platforms such as Amazon and Smashwords, etc. Clearly, this proves that small businesses can in fact respond and do know how to come up with new business and publishing models to avoid going unnoticed, or worse.

In Spain, the most comparable company to Istoria Books, and the most innovative, is Lektu, a recently created eBook platform that has managed to bring together nearly 30 different publishers. The primary attribute of this new platform is the clearly open-minded effort that went into developing it, which has translated into a very user-friendly webpage that provides customers with all of the information they need during the process of buying their eBook. In addition to its transparency, Lektu is also strongly committed to selling DRM-free eBooks, which, though increasingly common in other markets, is still a novel concept in Spain. For Lektu, however, this is not just another business strategy, but rather its way of actively defending a model that stands by readers who are tired of “putting up with buying books with DRM.”

Lektu believes in the honesty of its readers and allows them to lend their eBooks to friends and family. DRM is a way for publishers to mark their works. The idea behind the platform is to provide support for occasional readers who are making the transition into the digital world. The inspiration for developing such a transparent platform (for authors and readers alike) comes from what is happening in other digital markets. In fact, Lektu states that its model is based on models found in the gaming industry. Like other platforms, Lektu also has dynamic pay-what-you-want pricing. Here, specifically, publishers set a suggested minimum price and from that price readers can pay or donate the amount that they choose.

2.2. BUNDLING

Generally speaking, bundling refers to packs of products. These products can either be groups of similar goods or a combination of products and services, as long as they have something in common. This model is ideal for selling several products together which customers believe to be cheaper than if bought separately. Nonetheless, there are times when these bundled products are inseparable, in which case the product is the bundle itself. This model is widely used in the telecommunications and software industries. One example would be Microsoft Office, which sells several programs (Excel, Word, PowerPoint, etc.) in one.
Selling bundled products is a strategy that can generate a lot of profit as well as attract a wider base of clients who are ready to spend. Like with the pay-what-you-want model, companies that adopt the bundling model have to clearly understand what price their customers are willing to pay. Selling bundled products can mean selling more units per customer, thus bringing in more profit than if the products had been sold separately.

Bundled offers can on occasion be found in conjunction with other business models, like when a customer buys a cable TV subscription and is given a basic pack of channels for free. Sometimes, selling bundled products can reduce a company's production costs, like for example its marketing costs, because instead of having to design individual campaigns for several products, a bundle can be sold with a single message.

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

When it comes to the bundling model in the gaming sector, Humble Bundle is a an example to follow. Humble Bundle sells digital products such as video games, audio files, and even eBooks, but what really grabs people's attention are its sales figures. To boot, they have paired their bundling model with the previously mentioned pay-what-you-want model, though their packs start out at a minimum price of $1.

Once customers decide on a price, they can then choose how this amount is divided. For example, a customer who pays $5 for a video game bundle for a particular console can give half of that money to the games' programmers and the other half to the platform. Any and all combinations are valid, even charitable donations. By mixing business models, Humble Bundle has generated over $50 million in sales. The average price for a pack of 10 games is $4.93.

Some think that prominent video game developers who participate in campaigns of this nature and in bundled promotions are, in the end, cannibalizing their own content. The truth of the matter is, though, that the lifecycle of video games is so short that developers often do not mind if they are sold together with other games. This way, instead of being forgotten, games which have lost their novelty have the chance to reach a larger market and attract new clients as part of bundled packs.

In the publishing sector, there are a few companies which have implemented the bundling model as the basis of their business strategy. The most common type of bundling consists of selling the eBook version along with the print version or vice versa, but StoryBundle has taken this practice and combined it with the pay-what-you-want model. In other words, this publisher allows its readers to pay what they want for a bundled set of eBooks.

This pioneering initiative is the brainchild of Gizmodo and Lifehacker's tech blogger, Jason Chen. On his webpage, he likens his strategy to selling bundled video games for what consumers want to pay for them, the case of Humble Bundle. StoryBundle puts together packs of around five books, all of which are DRM-free. According to Chen, the average price of these bundles is approximately $5 each, similar to what self-publishing platforms like Amazon are charging. For Chen, the key to success has been making things easy for potential buyers to purchase and access content. Like on Humble Bundle, buyers on StoryBundle also decide what percentage of the purchase price goes to the authors (even 100%) and the revenue is divided among all of them. The rest is kept by the platform. Its catalog mostly includes works by independent, genre, and science-fiction authors. The platform does not require its authors to sign exclusive distribution rights agreements.
2.3. CROWDFUNDING

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

For many, this type of collective collaboration is not entirely new. Early cases of crowdfunding have been recorded in which similar initiatives were started but which were probably only natural ways of raising funds for a project and not really business models. For example, Wikipedia cites the cases of two bands, Extremoduro and Marillion, which turned to their fans to raise money to record one of their records back in 1989 and 1997, respectively.

With just a little looking, anyone can find similar examples of fundraising projects right around the corner from their own homes that relied on the goodwill of people, but what makes crowdfunding an established business model is its connection to the Internet and its global aspirations. In other words, thanks to the Internet, social communication tools, and to platforms specifically created to explain these projects and ask for funding, anyone’s idea can raise money from anywhere in the world. Kickstarter, the well-known crowdfunding platform, has many followers, as do Indiegogo, Ulule, and Verkami and Lanzanos, two of the most popular platforms of this type in Spain.

When a project has already begun, users can invest without receiving compensation. However, if, for example, a project is not able to raise the required amount before a fixed date, any money pledged is returned to users. More and more ways are being thought up to attract funding, such as payment in products, perks, special offers,...

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52 See https://es.wikipedia.org/wiki/Micromecenazgo
shares, etc. depending on the type of business that is looking for seed money. There are now even specialized sector-specific crowdfunding platforms for fashion (FanStylers), the audiovisual industry (TheCrowdTelevision), and ethical causes (migranodearena.org), etc.

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

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

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

In the music sector, there have been a number of interesting initiatives which, beyond being just individual campaigns, have acted as platforms to centralize a number of projects to enable them to take shape. One such example is Bandeed, an on-demand concert platform based on the crowdfunding concept. Because of the amount of creativity that its founders put into the project, it won an award at the fifth annual “Emprende con Cultura” (Innovate with Culture) awards ceremony. Bandeed's initiative consists of creating a virtual space where musicians, fans, and concert hall owners can meet and work together towards their common goal, which is to successfully organize a concert. The concepts of community, teamwork, and new technologies are the driving forces behind this new way of understanding how to promote live music.

In the audiovisual sector, there is a company that is very similar to Bandeed and its on-demand crowdsourcing model. Screenly, a platform conceived in Spain, has fresh new ideas for its sector. The platform, which offers “on-demand film screenings,” has options for users and event coordinators alike. The platform has many films in its catalog but, for these films to be screened, a minimum number of viewers must first be found. To do so, social media sites can be used to promote and host events. As for the price, the larger the audience, the cheaper the tickets. The films Screenly has in its catalog are quite diverse, ranging from classics to films by new directors to unscreened and undistributed films. What is important is that the film is screened, and if this is accomplished then the investments made by the event coordinator, the distributors, and the cinemas where the film is shown are a guaranteed success.

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

USEED stands out as an example of crowdfunding in the education sector. This particular platform uses the crowdfunding model to finance improvements made in internal education at colleges and universities and to pro-
vide funding for the projects of seniors and alumni. Unlike Upstart, the personal loan site, USEED does not provide financial backing for enterprising students in exchange for a partial return on their investment when the student starts making money. USEED, rather, is a project that has united three universities (University of Virginia, Cornell University, and Arizona State University) in a pilot program in which current students, alumni, and professors can connect on a single platform to raise money for their projects or start-ups.

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

There are also specific cases of crowdfunding in various fields of the technology sector. appsplit is a platform dedicated to the development of mobile and desktop applications through crowdfunding. Programmers who have ideas but are short on cash only have to present their project, explain what their app is about, what they intend it to do, and talk about how it works. After that, they simply have to tell the platform how much money they need to get their project off the ground.

The platform also provides programmers, even before they have completed development of the app, with the chance to design a marketing campaign which can help raise additional funding through the use of rewards or other types of financing. For example, in exchange for funding, some of the platform's members might want to participate in developing the app, depending on their IT skills, while others might be interested in waiving part of their copyright claim. The goal of the platform is to become internationally recognized since ideas for new apps can come from anywhere around the world. Its website is very user-friendly and helps guide potential sponsors towards the right project for them. Projects can be searched for according to their status, either “in progress” or “at the idea stage,” campaign, category, and type of platform the app is being designed for.

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

According to the 2013 study “Crowdfunding’s Potential for the Developing World53,” the United States has 344 crowdfunding investment platforms, followed by the United Kingdom with 87, and France, in third place, with 53. Trust and transparency are key to growth and to getting people to participate. Of the 43,193 projects funded through Kickstarter, there have only been four documented cases of fraud. The same study also indicates that the market for crowdfunding initiatives is still in its infancy, especially in developing countries, and that there is tremendous potential for growth. It is estimated that there are as many as 344 million households around the world that could afford to make small investments in crowdfunded businesses.

The most relevant data on the situation in Spain comes from a recent report presented by the Spanish Crowdfunding Association. This report discusses the keys to success and, beyond just being a bunch of numbers, points out several potential areas where the business model could be applied. In 2013 alone, according to the report54, crowdfunding efforts around the world financed 1.2 million cultural, social, and business ventures. None of this funding had any impact on or any cost to public funds.

54 http://web.spaincrowdfunding.org/informe-de-la-encuesta-de-scf/
After surveying 30 platforms in order to gauge their opinions and collect first-hand data on crowdfunding, the current situation in Spain can be roughly mapped out. It was found that within the crowdfunding model there are four subgroups, listed here in order of popularity according to the platforms surveyed: reward (41.4%), donation (24.1%), investment (20.7%), and loan (13.8%). In Spain, then, like in the rest of the world, the crowdfunding model most commonly uses the reward system to raise funds.

Investment crowdfunding campaigns are able to raise more money than when a campaign is trying to secure loans. On average, Spanish investors invest 4,853€ each per project, whereas the average loan per person per project is only 2,025€. The average contribution in donation and reward schemes, however, is less than 40€ per person. Statistically speaking, successful reward or donation-based projects, on average, are those requesting around 3,300€ while those that ask for more than 5,500€ often fail. Crowdfunded projects that are financed through loans or investments are different. Here, projects looking for approximately 30,200€ in funding are most often able to reach their goal while those that require more than 200,000€ are not.

The crowdfunding model chosen also conditions the duration of the campaign. On average, crowdfunding campaigns requesting donations take 82 days to reach their target amount. Those searching for investment funds generally last 53 days, reward-based campaigns take 41 days, and loan campaigns are the briefest at just 30 days.

According to 24% of the crowdfunding experts surveyed, in order for a project to succeed, it is vital to use high-quality audiovisual materials and to be actively and consistently visible on social media sites. Eighteen percent of these experts also mention the need to have a plan in place before starting a campaign and sticking to this plan rigorously. Transparency, discipline, perseverance, sacrifice, proactivity, dedication, and motivation are also fundamental in the eyes of these experts.

The main conclusions of the survey point to the need for Spain to increase its numbers of entrepreneurs and the number of people willing to invest in their projects. These conclusions also mention the fact that Spain is currently saturated with recently created crowdfunding platforms that have too few projects.

Visitors to “The Lab,” an interactive webpage run by Spain’s national radio and television network, have access to an easy-to-visualize and easy-to-understand animated data map that gives them information about various cultural activities, showing their connection to crowdfunding. The data map presents several initiatives and businesses that have used the crowdfunding model, giving viewers an idea of what is happening in Spain and around the world, though the site uses Verkami as its sole source of information. With this data visualization tool, visitors can choose to organize the crowdfunding initiatives by sector, by which type of projects work better than others, which failed, and how much each of them was able to raise. Users can also group the statistics by country or by region.

According to this data map (consulted in November 2012), publishing projects were apparently the most successful (81.1%), followed by music-industry projects (79.1%), which is the sector that most often turns to this type of financing. From other data, it is clear that the highest rate of failure is concentrated in low-budget projects. The total number of projects that requested over 50,500€ was 0, between 30,000€ and 50,500€ (3), between 15,000€ and 30,000€ (9), between 10,000€ and 15,000€ (17), between 5,000€ and 10,000€ (96), between 2,500€ and 5,000€ (220), and less than 2,500€ (417).
The project that had raised the most capital in the publishing sector was a comic book called “Brigada,” which brought in more than 50,000€. Catalonia was home to 52% of all of the projects from Spain, making it the largest crowdfunding region in that country. The success rate of Spanish projects was 73%, slightly less than the European average of 80%.

The arrival of this model in the publishing sector has been both quick and anticipated. One of the most successful initiatives in the world was started by Rich Burlew. Burlew, an author/illustrator of webcomics, managed to raise more than 1€ million on Kickstarter in order to break into the print media world55. This author, some of whose stories are available online for free, wanted to self-publish a few of them in a paper version back in 2005, but found it to be too costly. Burlew’s fans, eager to read his stories in print, pushed him to start a crowdfunding campaign which, in the end, he did, managing to assemble a total of 14,952 sponsors. The author/illustrator offered his fans a variety of options for donations such as a refrigerator magnet and a PDF copy of one of his stories for 10€, four magnets for 100€, autographed books for 200€, and an original drawing for 600€, etc.

Unglue.it is quite possibly the first crowdfunding-based publishing platform. On its website, readers can donate money or sponsor certain eBooks to get copyright holders to allow the books to be published under a Creative Commons license. Once the preset amount has been raised, the books are then made available for everyone to use for free. Some libraries have shown an interest in Unglue.it’s model and the platform’s founder, Eric Hellman, who once helped build linking technology for libraries, hopes they will help promote his initiative56.

Wattpad, the online community for readers and writers, was quick to adopt the crowdfunding model, but with a twist. They call it Fan Funding. Wattpad’s initiative gives the authors in its network the opportunity to pitch their fundraising proposals to Wattpad’s community of followers. Those looking to finance their future publications and

creative projects consider this opportunity a real springboard. What could be better than having access to a social network of active readers whose webpage gets more than 16 million unique visits every month? Wattpad’s model is “all or nothing;” campaigns have a standard 30-day time limit to reach their monetary goals. One of Wattpad’s commitments is that all of the stories, novels, essays, scripts, etc. that obtain funding through its platform will always be available for free.

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

One Spanish company that has recently landed in the American market is Pentian. On this platform, authors and their backers share in the profits. Pentian claims that it intends to add a twist to this publishing model by incorporating the concepts of crowdfunding and micropatronage. In this new model, authors receive the financial support of backers who make it possible for the book to be published, but who also become partners with a stake in the future sales of that book. Pentian is, then, trying to create a collective entrepreneurial system that helps guarantee the success of these publishing projects so that “all of the bestsellers of the future are given a chance.”

The platform handles the entire publishing process, from receipt of the author’s original manuscript all the way through printing and distribution, without forgetting the book’s cover design and layout. Pentian also takes care of adapting the work to eBook, print, and print-on-demand formats. All of this lets the author focus on creating the content and on securing marketing support for future sales. The profit from selling the book is divided proportionately between the author or authors and the backers. The author does not have to put any money down; all of the costs associated with publishing the book are covered by the backers. Pentian’s role is to evaluate every publishing project on a case by case basis and work with the authors to establish the conditions concerning the publishing of the book, the number of backers that can participate, and the royalties and any future profits to be divided among the parties. Once the crowdfunding campaign has the necessary number of backers, the editing, publishing, and distributing processes can begin.

From Unglue.it’s platform came the idea to integrate crowdfunding into ethical campaigns. Thus, Pubslush was born. The aim of the crowdfunding side of the initiative is to publish a book once it earns the support of 1,000 followers. As for the ethical part of the equation, Pubslush pledges that for every book the platform sells, it will donate another to somewhere in the world where children do not have access to books, in an effort to encourage reading in underprivileged areas. If authors want to donate part of their earnings to this initiative, Pubslush is happy to oblige. Authors looking for funding for their books need to submit a summary of their manuscript and at least 10 finished pages of the book. Once the funding has been secured, Pubslush gets a 4% cut of the future sales. In return, the platform provides authors with all of the services typically offered by publishers, such as editing, distribution, selling, and promotion.

2.4. GAMIFICATION

The concept of gamification has been around for a number of years, but in the last two years, it has become a widely used option, even diversifying into different sectors.
Generally speaking, gamification refers to adding game-like features to contexts that have nothing to do with the gaming industry. The idea is to stimulate and motivate users’ actions, ideas, interests, and interactions. In other words, to condition behavior entertainingly in any setting, whether cultural (museums, theaters, books), corporate, leisure, commercial, etc.

The motivational aspect has led many to classify gamification as a novel business model, though it may be more closely connected with marketing, engagement, internal corporate motivation, and even to community building than a business model in and of itself.

According to Gartner⁵⁸, by 2015, more than 50% of organizations that manage innovation processes will gamify these processes. Deloitte, in a 2012 report, predicted that gamification will be in 25% of redesigned business processes by 2015, and that it will continue to grow to ultimately represent $2.8 billion in 2016⁵⁹. In one of Pew Research Center’s classic reports on Internet trends, analysts’ opinions on how embedded gamification will be by 2020 were split practically down the middle⁶⁰. Forty-two percent of those surveyed believed that gamification will only be temporary fad while 53% thought that this trend will have a significantly greater presence in the future.

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

Every company uses their own unique focus when they implement gamification. Companies that sell packaged consumer goods, for example, most often focus their gamification efforts on the Internet and on social media sites in order to create brand loyalty and to reach out to certain demographics. Software companies, however, use gamification to convert “trial period” users into paying customers. These companies also use gamification as an important way to collect information on users (Big Data). In the end, gamification allows companies to get to know who their users and potential customers really are⁶¹.

Large and small companies alike can implement gamification as a business channel for long-term investments and as a way of creating a collaborative environment in which users feel they are part of the game. All types of companies have developed gamification programs to help improve their user-to-customer conversion rates, most often on the Internet or through social media channels. That is what software company Autodesk did when it took gamification to its users, increasing its user rate by 40% and its conversion rate by 15%⁶².

In another similar example, Badgeville increased its growth rate from 20% to 200%⁶³. Other companies such as Cisco⁶⁴, Devhub⁶⁵, and Joiz⁶⁶ were able to increase their loyalty and conversion percentages when they applied...
social gaming processes. Today, all types of brands and sectors, such as the culture, clothing, travel, and automobile industries, implement some type of gamification to attract customers or to directly sell to them, depending on their objective.

In the publishing sector, gamification has been used mostly in advertising, mobile phone apps, and webpages. For example, Adikteev specializes in creating advertising campaigns using gamification. What its free technology does is reward users, therefore increasing their engagement by means of the game’s features. Adikteev has devised with how to meter out advertising during pauses in game play to create an unforced interaction with the user. In other words, because the advertising is more attractive and less intrusive, many of Adikteev’s clients see an increase in their earnings.

Playboy has also tried implementing game-like features in its Miss Social initiative. Eighty-five percent of the visitors to the webpage participate more than once, with 50% returning the next month to participate again, which has translated into a 60% increase in revenue67.

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

Some initiatives like Bookperk (HarperCollins) and Book Country and First to Read (both from Penguin) are models of community building that, while not explicitly gamification systems, are able to boost recognition and engagement by rewarding users with exclusive content, discounts, teasers, or other types of acknowledgement.

Therefore, following these examples, it should be easy to come up with a real gamification strategy that goes beyond rewards. It should be easy to come up with models that are more “addictive,” incorporating points systems, levels, or advancement based on users’ knowledge, texts, attention, or on their participation. A token could be awarded per vote, other tokens could be given out for comments on Facebook and Twitter, and once users had enough, they could be given the chance to purchase discounts or whatever they wanted, thus increasing the company’s indirect sales and boosting customer loyalty.

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

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

To give their books increased exposure, publishers and bookshops which have direct contact with their readers can invite them to write reviews on the webpage itself or in their blogs using a widget that links back to the site.

67 http://es.slideshare.net/ervler/gamification-how-effective-is-it [slide 29]
Other readers could then vote on them and/or leave comments, which could also be rewarded. Another way to increase participation could be to compensate readers for spotting typos, which is actually quite common in certain readers’ reviews and blogs, but which is often underused because editors rarely enjoy being shown their mistakes. Publishers or bookshops could also provide incentives to a certain number of first-time buyers, or do many other things.

**Kobo Reading Life**, an eBookshop, added certain characteristics and features to its reading application that incorporated both social and gamification elements. Now readers can share passages with friends and followers on any other app, or even “check in” at some of the places that appear in the book they are reading, sometimes even as one of the characters. In addition, Kobo Reading Life also rewards readers with the chance to unlock content or win prizes for certain achievements which they can then see as statistics and compare with friends.

Kobo Reading Life’s model can be imitated by other mobile services including but not limited to reading sites. If all of the features of the so-called “social mobile” model are considered, the opportunities for gamification seem worth implementing.

Foursquare’s model is an example of how to get the most out of the features of mobile phones, especially from a social perspective. This model can be used specifically by the book industry to geolocate bookshops, the settings for novels, authors’ homes, etc. The combination of ideas is essentially infinite with the possibility to be used by non-Internet models where the display windows of bookshops can pick up on the initiative.

Gamification is an indirect business model that is on the rise and deserves to be paid more attention to. In this respect, the publishing world still has a long way to go.

### 2.5. DIRECT SELLING

Lastly, direct selling will be discussed as a business model as will self-publishing services in the publishing sector since they are two possible sources of complementary income beyond just the traditional model of retailing through third parties.

Direct selling, also known as the B2C model, is defined as selling products directly to consumers without the intervention of intermediaries or distributors. This model has its own industry representative in the *World Federation of Direct Selling Associations*. Like in other models discussed earlier, direct selling pre-dates the digital age. In the 1800s, manufacturers discovered that they could sell directly to customers through catalogs, but in the 21st century, the Internet and eCommerce have given new meaning and value to the ability to sell all kinds of products directly to consumers. This is especially true of digital content which can be accessed immediately upon purchase. Big Data and the international visibility that the Internet provides, though there are still international copyright issues to address, are two of the biggest allies of the direct selling model.

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

Several companies in the publishing sector have been selling their content directly on their webpages for years. Except for a few very specialized sellers, the majority of these companies admit that direct sales do not have a significant effect on their overall revenue, which is why they have little faith in the potential of the direct selling model.
However, in other sectors, such as the travel, ticket sales, clothing, and even the banking industries, companies which have lots of eCommerce experience all agree that only those businesses that understand eCommerce as a business management tool and that do not just see it as merely another type of transaction will have a competitive edge in the digital age.

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

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

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

As was mentioned earlier, large-scale platforms and eBookshops continue to be the main sellers of eBooks. Nevertheless, publishers can take advantage of their own selling opportunities while they upgrade their websites, giving consumers improved access to content, services, digital experiences, and their corporate image. Many publishers have already incorporated direct selling into their webpages, but making this model their main sales channel and implementing all of the technological aspects that are required are two altogether different endeavors.

Those publishers that are known for their catalogs or that cover niche markets are better positioned to make the most of this opportunity. Not all authors, however, have the capacity to sell on their own websites like J.K. Rowling, author of the Harry Potter saga. Her website links to Pottermore, a shop that sells everything related to the Potter brand, such as books, content, and services. Some publishers, though, do provide their authors with their own spaces on their websites, in addition to any personal webpages or blogs that these authors might have.

In May 2012, an interesting report on the international management of digital rights predicted the positive impact this future business model would have on the publishing sector. According to this report, Internet bandwidth and the abundance of content limit the sales windows of international rights in the new digital age. Discovering new works is now faster and more transversal because this task is now in the hands of readers. Consumers who have at their fingertips tickets to every performance and who can go shopping anywhere in the world they want thanks to the Internet often become frustrated when they try to buy a book they are interested in only to find that the rights are not available in their country. Therefore, according to the report, the first reason why publishers must not forget the importance of digital exports is because consumers will eventually find ways to get what they want.

The second reason the report mentions for keeping digital exports in mind is that the sale of the translation rights for most books is not viable. There is not enough demand to translate all of the works of all of a publisher’s au-

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thors for all markets (Spanish, French, German, etc.). Publishers can, however, sell these translations directly on their websites. This new source of income from digital exports is an extension of the direct selling model that was discussed earlier.

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

The publisher O’Reilly sells directly to its customers without excluding other channels like Amazon, Barnes & Noble, or Apple, and as a result, it has access to valuable information that helps it adjust its content, sales, and marketing strategies. O’Reilly would not have this information if it only relied on third parties. For example, the preferred format for O’Reilly’s readers is PDF, representing 50% of the total number of downloads, coming in ahead of EPUB and MOBI files. This might seem surprising given O’Reilly’s reputation for revamping standards in the eBook world, but it is actually logical because many of its readers work in IT and often read at their desks, and the PDF format allows them to do so.

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

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

It is also worth mentioning Leer-e’s pioneering initiative in the eBook world and its gamble on direct selling. The Spanish company, which now focuses on digital publishing and the sale of eBooks around the world, launched its platform in 2005. Since then, two of its initiatives have stood out from the rest. The first is its Libr-e collection which rescues discontinued and hard-to-find print versions of books by re-editing them as eBooks. The second is their Palabras Mayores collection which the authors themselves sell directly to their fans in eBook format.

In 2013, Leer-e partnered with the German platform Bookwire to not only work together as aggregators but also as publishers to sell their content directly to consumers. For the German digital aggregator, this alliance has given

70 http://toc.oreilly.com/2012/03/publishers-data-direct-sales-customers.html
it distribution rights to nearly 3,000 books from Leer-e’s digital catalog. Some of these books have been written by such internationally acclaimed Spanish and Latin American authors as the Nobel Prize-winning Gabriel García Márquez, Isabel Allende, Carlos Fuentes, and many others. Bookwire handles distribution of these books in the German, European, and international markets while Leer-e, as Bookwire’s preferred partner, is in charge of distributing in the Spanish-speaking market. This means that Bookwire’s catalog of over 25,000 books is now available to readers in Spain and in Latin America.

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

The aim of Verso Books is to establish direct contact with its readers, to offer them all of its content and information directly, and to increase the visibility of their entire catalog with each sale, all of which are absent when consumers make a purchase on Amazon.

The growing interest in the direct selling model and the opportunities that digital technology has created for publishing have driven initiatives that use this model to offer better service. Pubsoft offers all of the software necessary for, they say, the next generation of great publishers, those of the 21st century. Kbuuk, Pubsoft’s parent company, is one of the leading self-publishing platforms. Like many other platforms that began life offering basic publishing services, the next step for Kbuuk was to transfer its platform to Pubsoft’s cloud where it could manage all of the promotion and sales processes connected with its content. In other words, it streamlined its marketing services and online sales model. By doing so, publishers and authors are now able to manage authors’ webpages, upload eBooks, sell directly to readers, and share profits.

Publishers and authors can create their own eShops through Kbuuk, transfer as many documents as they want to eBook format, optimize content for Internet searches (SEO), and get ready to start selling. Kbuuk also includes a cloud-based HTML5 reader so that customers can read content on any browser. This reader also allows them to underline, make notes, and share this content on social media sites. The platform itself is very intuitive and easy to use. It has customizable templates for use on the microsite or in the documents and texts to be published. Its most interesting feature is, without a doubt, the ability to keep track of sales in real time down to the time, place, and format in which an eBook has been sold. This tool can be very useful for new or small-scale publishers that want to target a particular niche market or that want to know who the most influential readers of its collection are. The focus is clearly on authors who self-publish their work.

There is a similar platform in Spain that combines direct selling with a “social payment” system. byeink, a cloud-based platform, allows users to create and directly sell their eBooks in just four easy steps. It is a simple process that takes authors from publishing their texts to creating metadata to managing their publications to distributing them in such a way that their eBooks can be promoted on social media sites like Facebook, Twitter, and Google+, or through embedded QR codes. All of these services are free of charge. The novelty of this platform is its “social payment” system which does not allow users to pay for chapters of an eBook (or sometimes the entire book itself) which has been uploaded for free with actual currency. Instead, they are permitted to download content after tweeting about the book or when they leave a comment on Facebook. In other words, books can be paid for by just spreading the word and promoting them. byeink also has eBooks for sale that users may purchase using PayPal. This method makes it easier for authors to sell their books directly from their own webpages or blogs, it allows them to get to know their readers better, and it also keeps them informed about how
their book sales are going. PayPal is a way for authors to get paid automatically and also guarantees that they receive 100% of the royalties.

PlanetaHipermedia.com deserves mention when talking about directly selling services since it is a prime example of how businesses can transform content into services.

This new project basically consists of converting books written by the best and the brightest authors on the subject of management into online courses. The fundamental idea is to take advantage of the sheer amount of high-quality content already available by these outstanding authors and to transform it into educational material. Transforming the processes of education is an integrative solution when done within a collaborative framework that encourages self-development and professionalization in its users and when it adapts to their personal preferences, needs, and interests.

Users can access PlanetaHipermedia.com in one of two ways. In its B2B model, access licenses are sold to the employees of large corporations (Banco Santander, BBVA, Telefónica, Acciona, etc.). In the B2C model, users of PlanetaHipermedia.com can buy access to courses through its website or through the App Store or Google play. No software needs to be installed, and no training is required. Users simply login to the platform on their devices using the passwords provided to them by their employer or organization.

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

2.6. SELF-PUBLISHING

In recent months, the impact of self-publishing on the book world has sparked an interesting debate on the pros and cons of this growing trend and on the misconceptions associated with it and the contributions it might make in the future.

The self-publishing model could be the subject of an entire study, but here only a few key aspects of what makes this service a business model will be discussed.
Self-publishing is nothing new. In fact, in the 19th and 20th centuries, it was a common activity. In the 21st century, self-publishing went from what some in the book world considered to be less important and of a questionable quality, to becoming big business.

For the last two years, everyone from prestigious national and international publishers to bookshops to libraries have defended self-publishing as a complement to their regular business activity. However, adding self-publishing platforms to the list of traditional business models will require the book world to redefine its current separation between writers and would-be writers, or indie writers.

If done intelligently, launching a self-publishing platform can help publishers, bookshops, and libraries benefit from the expanding universe of new writers by creating an ecosystem that supplements their traditional business, providing them with a new source of income. For further information, see “Autores independientes”71 (Independent Authors) which was recently published by Dosdoce.com in collaboration with Biografías Personales.

The truth is that the big names in publishing have already decided to back the idea of self-publishing services. This trend was first seen in the eBook sector In 2012. In a study72 presented by A.T. Kearney/Bookrepublic, which analyzed digital trends in Europe, Asia, South America, and North America, it was evident that large publishing groups had discovered that self-publishing could become an extra source of income to supplement their earnings from traditional publishing.

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

One of the most talked-about events in the sector happened about a year ago when recently merged Penguin Random House bought the self-publishing services platform Author Solutions.

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

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

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

Kobo Writing Life, available in English, French, Spanish, Italian, Dutch, and German, makes it easy for authors to become a part of its global catalog since it welcomes publications from anywhere in the world and in any

71 http://www.dosdoce.com/articulo/estudios/3911/autores-independientes/
72 http://www.slideshare.net/IfBookThen/do-readers-dream-of-electronic-books
language. Kobo Writing Life has an open, social, and collaborative platform which, as a result, is able to provide small-scale authors with the tools they need to publish and track their sales in real time through its webpage and through its associated retailers’ sites as well.

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

Before concluding the discussion of digital self-publishing platforms, Amazon’s Kindle Direct Publishing is worth mentioning. Through Kindle Direct Publishing, authors can publish their books for free in a matter of hours. They also maintain the copyrights to their work.

Kindle Direct Publishing lets books on its platform be distributed around the world, possibly one of its best features. The platform, however, does not include as many support, information, or editing services as other self-publishing platforms, especially those run by large publishers, like Book Country (Penguin). Authors do, however, receive 70% of the royalties, which new authors find to be quite enticing.

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

The authors who use Bubok’s services are responsible for writing, editing, designing, selling, and promoting their own works. It is the authors themselves who put their books up for sale (either as eBooks or in their print version) and who decide what price they want charge. Not only does Bubok handle the printing and the shipping for authors’ print versions, it also offers them a series of printing, editing, and sales services for their texts. For every book authors sell, they get 80% of the net profit (after the costs of publishing and any added services have been deducted), and Bubok keeps the remaining 20%.

In Spain, the Entreescritores.com project deserves mention. On this platform, writers can publish their book and then talk about it and promote it through different online communication channels, such as Twitter, blogs, Facebook, LinkedIn, and Pinterest. The readers, as a result, are in charge of helping discover new books and writers, in their role as “literary critics.” Thanks to readers’ comments, authors get valuable feedback on their book. Books published on Entreescritores.com can be downloaded and read on mobile phones, iPads, PCs, eReaders, and tablets.

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

The evolution of this trend within the growing self-publishing model has played out as many had predicted. At the 2013 Frankfurt Book Fair, according to a study on ISBN data in the United States that was carried out by ProQuest and Bowker, it was revealed that the number of self-published books topped 391,000 in 2012, which is 59% more than in 2011 and 422% more than in 2007. eBooks were the leading format, accounting for 40% of the ISBNs of the self-published books in 2012, compared to just 11% in 2007, according to this report. More than 80% of the self-published books on the market came from just eight self-publishing services companies, like Smashwords. Fiction, self-help, spirituality, biographies, and children’s books were the most popular genres.

According to this report, there are three types of writers who self-publish: amateur writers, professional writers, and experts who use self-publishing as a way of sharing their knowledge.
At the Frankfurt Book Fair, attendees wanted to know about the value, the potential, and the quality of self-published books. Because this new trend is clearly here to stay, the question that the sector really ought to be asking itself is what services does self-publishing have to offer? In light of the comments made by self-published authors and the statistics that are available, surely the advantages of this model include creative freedom and the simplicity of the publishing process. One of its drawbacks, however, would be the lack of marketing and promotional support that traditional publishers can offer.

The truth is that, although there may be an evident lack of quality in the majority of self-published books, the number of authors is growing and sales are too. This is a clear sign that a group of readers has found something in these authors that they were not getting from publishing companies.

The number of self-published authors continued to grow through 2014. According to The Guardian\(^3\), there was a 79% increase in self-published books in the United Kingdom in a single year. The sales figures for these books hit £300 million and eBook sales were up by 20%, though sales of print books fell by 10% in the last year. Although the self-published book market only represents 5% of the total, there seems to be no end in sight. In the past, eBook sales only accounted for 1% or 2% of the market, but now, in the United Kingdom, eBooks make up 30%. In fact, self-published books written by independent authors are responsible for this dramatic increase in eBook sales.

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

In the self-publishing world, the revenue that platforms receive from the sale of print and eBooks is secondary to the income generated from selling publishing services to authors who decide to self-publish. According to a survey\(^4\) in Digital Book World that asked this type of author which services they had hired on different self-publishing sites in order to publish their books, almost half of these authors surveyed said that they had indeed acquired paid services to publish their books, spending on average between 500€ and 999€.

The same report found that the services most requested by these authors were: cover art (34.8%), formatting (24.4%), print-on-demand (22.8%), copy editing (21.5%), content editing (16.9%), page design (14.5%), distribution (13.6%), marketing and promotion (10.8%), and illustration (6.6%).

2.7. LIBRARY ELENDING

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

These circumstances provide publishers with a wide range of possibilities to develop new business models that allow libraries to offer services in line with the new trends associated with the use of this type of content. Neither

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\(^3\) [http://www.theguardian.com/books/2014/jun/13/self-publishing-boom-lifts-sales-18m-titles-300m](http://www.theguardian.com/books/2014/jun/13/self-publishing-boom-lifts-sales-18m-titles-300m)

publishers nor libraries have the upper hand in this situation. In the digital age, publishers and libraries are, in the best sense of the phrase, condemned to understand each other given that both parties need each other now more than ever.

In order to be able to shape this process of redefining roles and models, it is first necessary to briefly focus on a series of interesting models that can serve as references to both parties. In many cases, these models can be applied simultaneously. Therefore, experimenting with several models, both present and future, is one way to respond to the demands of the heterogeneous users of libraries.

The model most commonly used by libraries is that of individual, non-concurrent-use licenses or paying to lend a digital copy of a work to a non-simultaneous user. In this model, eLending service providers give libraries access to their catalog upon prior payment of a subscription fee. The library, then, must also pay for each eBook it lends, bringing the traditional lending system into the digital domain. However, there are various other alternatives.

These alternative models include an annual subscription to a catalog, the pay-per-use model discussed throughout this study, an annual license per book which gives libraries the option to lend an eBook non-simultaneously and unlimitedly for as long as the license is valid, and the lifetime purchase of books.

There are also a number of other unique models that, although somewhat secondary in nature, highlight the enormous potential of self-publishing. Among these is a model in which platforms develop their own proprietary software, which has sparked interest within the library community. Another is the collaborative model in which publishers, distributors, and libraries build partnerships. In the co-pay model, the self-publishing services are financed through user contributions and other sources.

As has been repeated several times, companies that provide this type of service to libraries must adopt a mixed model to better adapt to the needs of each library. In these cases, subscriptions, whether individual, annual, with limitations, concurrent or not, are combined with other options. For example, one of these options could be "non-linear" loans which limit the number of days a book can be lent per year but which actually do allow several users to borrow the book at the same time. Other options include short-term loans and user-driven acquisitions. Sometimes, works can be purchased by consortiums which then share the content via interlibrary loaning systems.
3. The Current Situation. eCommerce and the Evolution of Paid Models
To say that the Internet has changed how people interact on all levels, from communication to commerce, is hardly a ground-breaking statement. However, it cannot be ignored that the universal nature of the Internet and its ever-increasing number of users, together with all of its underlying new technology, have made it necessary for all types of industries to rethink their business models.

No one talks anymore about imports and exports via traditional modes of transport since consumer goods can now be ordered and even acquired in a single click. The only possible conclusion then is that over the last 20 years the evolution of business has in many ways been truly revolutionary.

The arrival of the Internet on the business scene brought with it a sped-up version of companies’ struggle to be efficient and to adapt their services to the demands of customers. The drive to optimize the company-client relationship has made it necessary for companies to review their “value chain” to see how each of the links are holding up under the added stress and to eliminate the links that are no longer needed.

The arrival of eCommerce and eBusinesses has also meant accelerating the way new technology-based business models are conceived but doing them with non-technological strategies. These new business models are not limited by time, space, or geographical boundaries. They have streamlined the market, and their flexibility and agility, along with their ability to rapidly expand around the world, have all been greatly enhanced. In the end, this allows suppliers and customers to better integrate with each other.

In order for companies to be successful in the new economy, they need to make the transition to become more digital. This transition is happening in every sector. Now more than ever, the economy is evolving to the point where changes are happening practically in real time. Gone is the time of the traditional business transaction in which companies offered a product, distributed it, the product arrived at the retailer’s, and the retailer sold it to customers.

Now, all digital goods can be marketed in any number of ways using business models that are more or less flexible, that have been combined with others, or that have adopted customized, in-time solutions. Staying up-to-date to keep up with the pace of the digital economy means implementing technological solutions and strategies that can adapt to constant changes.

Today, the Internet lets customers be in charge of transactions whereas in the past, retailers told customers when they could shop and what they could buy. Online consumers now have free choice over when and where they want to spend their money. The Internet gives consumers all of the shopping options imaginable and the opportunity to find the best price for what they are looking for. Evolution has caused the B2C model to convert into a C2C model in which companies like eBay put consumers in contact with other consumers. eCommerce has turned the tables on the traditional idea of supply and demand. Customers have never been so central to everything.

eCommerce is loosely defined as any type of commercial transaction that is handled electronically, which is to say, over the Internet. These transactions began with companies that exchanged data such as order forms, invoices, etc. with other companies electronically. The actual business model began with email, instant messaging, and later eShopping carts and webservices in which the transactions were no longer between businesses (B2B) but which had expanded to include direct contact between businesses and consumers (B2C).

The time has come in which eCommerce has proved itself and in which its competitive capabilities have improved. eCommerce not only allows companies to communicate directly with their customers but, when used properly, it can also be a flexible tool that helps companies adapt to the many changes occurring in the digital world and to customers’ new habits. eCommerce provides companies with a unique opportunity to consolidate their positions as leaders in the digital economy.
One of the most common mistakes when analyzing the potential of eShopping carts, however, is to only think about the sales opportunities between businesses and consumers (B2C) when there is added potential in the integrated management of direct selling to companies and institutions (B2B) on a single eCommerce platform.

Due to the popularity of this model, many companies are considering making the move towards digital markets and creating their own eCommerce platform. Consumers are becoming more sophisticated with regards to their Internet purchases and they are not just demanding a better overall shopping experience but, above all, better service from eCommerce platforms. This has caused the promoters of these projects to constantly redesign their websites in order to add new online features and services. Simply including a shopping cart on their webpage is no guarantee of success, however. If companies do not make eCommerce the core of their marketing and sales strategies, their results in the new digital economy will forever be limited.

To really understand eCommerce and the availability of digital content and services (or the transformation of content and services as was seen with PlanetaHipermedia.com) means to analyze, research, and implement business models that adapt to the new possibilities from both the company’s and customers’ point of view. It must be remembered, though, that customers have a set of needs which include wanting things “here and now,” customization possibilities, and flexibility. For this reason, the business models that have been analyzed in this study like pay-per-fragment, pay-per-use, streaming, etc. are starting to become the new business channels.

### 3.1. FROM RETAIL TO ECOMMERCE

The digital transformation that was discussed earlier requires planning so that the investments made in the project produce the intended objectives. The fact that the changes are happening in a digital environment does not mean that they do not have to be adapted to people’s needs in the real world.

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

One of the main obstacles in the way of physical shops making the transition into the digital age is that they do not reduce their margins enough to compete with online shops that have more experience. A business that goes online because its physical shop has gone under cannot be compared to one that sees the Internet as a way of modernizing the business or one that is looking to supplement the activity of a functioning brick-and-mortar shop.

eCommerce websites and platforms always need to function correctly and never have any problems, and neither should their payment systems. The two main advantages online businesses have over offline businesses are that the former are open 24 hours a day and that they can serve customers around the world. On other words, online businesses are always ready to meet their customers’ needs.

According to the latest report from the Altimeter Group on new business models and the digital transformation that is taking place in all types of companies, including LEGO, Sephora, Univision, Starbucks, Ford, Discover, Nestlé, etc., and in all sectors, this transformation is a movement that needs to be seen through a customer-centric lens. As was said earlier, the customers’ experience, which has been and will still be fundamental in the analog world, is taking on greater importance in the digital economy.
Eighty-eight percent of the digital strategists and executives at the companies that participated in the abovementioned report\(^7\) said that their company was undergoing a formal digital transformation effort, but that only 25% of them had mapped out the digital customer journey in their plans to change. The following are the most important initiatives that these strategists and executives were implementing in their digital transformation.

- **a.** Improving processes that expedite changes to digital properties, i.e. website updates new mobile or social platforms (80%)
- **b.** Updating their website and eCommerce programs for a mobile world (71%)
- **c.** Integrating all social, mobile, web, ecommerce, service efforts and investments to deliver an integrated and frictionless customer experience (70%)
- **d.** Updating customer-facing technology systems (66%)
- **e.** Overhauling customer service to meet expectations of connected customers (46%)

According to the focus of this report, the digital transformation itself becomes a catalyst for re-imagining the overall customer experience. Businesses undergoing digital transformation are each, in their own way, creating new business models and systems that are more relevant to the evolution of today’s markets. In doing so, they are leveraging digital transformation to become more customer-centric.

**DIFFERENT TYPES OF DIGITAL TRANSFORMATION INITIATIVES**

**THE MOST IMPORTANT DIGITAL TRANSFORMATION INITIATIVES RANKED**

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

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


\(^7\) [http://altimetergroupdigitaltransformation.com/img/dt-report.pdf](http://altimetergroupdigitaltransformation.com/img/dt-report.pdf)
eCommerce is without a doubt central to the development of the international economy. More and more retailers are modifying their budgets to focus more on building their eCommerce platforms.

However, the arrival of eCommerce and digitalization, fueled by the use of mobile devices, does not mean the end of physical shops. In fact, the opposite is true. All kinds of shops, from clothing stores to bookshops to places that sell technological gadgets, are working hard to provide customers with a special experience inside their physical shops to get them to spend their money. The emergence of 3G technologies, like geolocation, touch screens, QR codes, etc. in the cultural sector has given many businesses a massive amount of possibilities to enrich their customers’ experience. Bookshops can do this during the discovery, purchase, and reading phases of their customers regardless of whether they are interested in print or eBook versions. The shopping experience in physical shops is changing at the speed of light.

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

Critics have spoken out against the boom of eCommerce, against the idea of sad, lifeless cities, devoid of shops thanks to the invasion of technology. However, technology can also add to people’s experiences in the physical world and can, as a result, help these experiences live on. Lots of companies are beginning to feel right at home on the Internet where they can implement the various flexible and customizable business models that have been analyzed in this study.

The arrival of iTunes, being able to watch streamed films at home, and eBooks are in some way responsible for the demise of a few record shops, video clubs, and bookshops. Video games utilize more online content now than ever before, leaving brick-and-mortar-shops to survive by renting or reselling second-hand games.

According to the “Report on eCommerce in Spain Through Payment System Entities,” Internet use in Spain at the end of 2013 was at 70%, having increased by 4% from 2012. This means that 7 out of 10 households in Spain had Internet access. In the third quarter of 2013, business volume reached 3.291€ billion, a 21.7% increase over the figures from the same period of the year before. The tourism and direct marketing sectors led online sales, according to Spain’s National Commission for Market Competition.

The two markets that have most successfully adopted eCommerce in Spain are travel agencies (635€ million in gross revenue, 19.3% increase over the previous year) and airline tickets (391€ million, 11.9% increase), followed by direct marketing product sales (5%), land transport (4.5%), clothing (3.1%), and leisure/cultural performances (2.9%). With respect to Spain’s total online sales volume, purchases made within the country account for 41.9%; purchases made in Spain but sold by other countries account for 40.8%; and purchases made abroad but sold by Spanish companies account for 17.2%.

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76 See http://telecos.cnmc.es/documents/10138/2704648/Comercio_electronico_IIIIT_13.pdf/c2ec18ed-bd37-4ef4-81a6-77382236a1c5
The eCommerce boom has experienced even more growth with the arrival of smartphones and other similar devices. Mobile phones are becoming the most common way to connect to the Internet, and, more than that, they are one of the most important tools people use to manage their lives. They are used to acquire goods and services as well as to access information and to resolve social and personal matters.

In Spain, there are currently 85,000 online shops, according to a report by Xopie and BBVA’s Digital Technologies and Omnichannel department.77 Mobile phone-based Internet traffic continues to grow. In 2014, smartphones were used in one out of every four visits to online shops, more than a 50% increase over the previous year. Tablet use represented 12.7% of the total revenue for online shops, compared to smartphone use which accounted for 6.7%. Adapting webpages to make them easier to use and to navigate with mobile phones and tablets is the latest fundamental requirement to give friendly service to online users, visitors, and customers. In the end, a better shopping experience on the small screen.

3.2. BIG DATA. THE KEY TO DIGITAL BUSINESS MODELS

If eCommerce has one advantage, it is surely the power it gives companies to get to know their customers well. As was said earlier, customers are becoming more and more central to all commercial transactions and services. The importance of Big Data, now defended from all angles of commerce in the digital world, and outside of it, is starting to be taken seriously, sector by sector, as are all of the distinctive features it has to offer.

The cultural sector is not exempt from the need to focus on customers, as is shown in “Counting What Counts: What Big Data Can Do for the Cultural Sector.” This report gives a general overview of Big Data in the cultural sector.

77 http://www.xopie.com/es/tiendas-online-espana
78 http://www.nesta.org.uk/publications/assets/features/counting_what_counts

Source: “Informe sobre el comercio electrónico en España a través de entidades de medios de pago”. (Report on eCommerce in Spain Through Payment System Entities)
sector, pointing out the primary weaknesses that were discovered and suggesting ways to offset them. The need for a more complete use of the data is mentioned by the report as is a new focus and better preparation to work with the information, which can help companies save costs and help them design new strategies.

A necessary shift in mindset is to no longer see data collection and reporting as a burden and to begin to invest publically and privately in ways that can revitalize any sector.

The required use and development are analyzed in three stages:

1. Data on direct operations (e.g. ticket sales) which are the simplest.

2. Data specific to the digital domain which, on occasion, are mixed with other “material” data (or, in other words, from outside of the digital realm) giving rise to inconsistent approaches.

3. Integrated data that comes from both the physical and digital domains.

The report proposes three strands of work:

a. **New Data Strategies**: Cultural organizations should audit their use of data, internally and externally, to establish a current baseline with regular periodic reviews and evaluation metrics.

b. **Pathfinder Projects**: Pathfinder Projects should be set up to explore approaches to data, including assessing the integration of existing data sources, data presentation/visualization, and new forms of measurement.

c. **Capacity-building**: Capacity-building projects for policymakers, funders, and boards should be established to develop the necessary philosophy and skills to embed a culture of data-driven decision-making at the highest level.

The result of acknowledging the importance of Big Data is increased effectiveness and the ability to respond to the demands of users and the sector itself as well as to the changes that are taking place.

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

With the help of social tools, webpages, online communities, eBook sales, etc., publishers have more opportunities than ever before to chart the data maps of their market to be better prepared and to make better decisions. Big Data, beyond just what third parties can provide, will shortly become the prime objective of publishers. Decision making will be largely dependent on this information. The more that companies invest in this area, the greater their competitive edge will be.

A recent article in Publishers Weekly discussed this new need to rely much less on intuition and to instead base decision-making on the huge volume of data that is available. According to the article, the managers and heads of

several departments of well-known and prestigious publishing companies stated that they were going to focus on this area from now on, stressing the value of primary and secondary data in order to encourage added investment.

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

3.3. FROM FREE TO DIVERSIFICATION. MOVING TOWARDS A MERGED MODEL

One of the biggest mistakes that was made when services and content were first offered on the Internet was to give away something for free when a tangible equivalent was for sale in shops. Print media is a perfect example because, as more and more of its content became available for free on the Internet, sales at newsstands fell.

Shifting from free to paid content is proving to be one of the most difficult, and in many cases traumatic, tasks that companies are having to do. Some of these companies now need to compete online in order to stay alive and to maintain their physical world shops and products.

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

It is difficult to convince users and customers who, through no fault of their own, have grown accustomed to some form of free content on the Internet to start paying for everything. This is one of the keys to the business models that were analyzed earlier. These models have appeared as a way of offering content both fairly and proportionately. They help consumers understand that, although the content may no longer be free, it does not have to be "all or nothing." Consumers should rather be encouraged to purchase what they really want, when they want it, and at a reasonable price. Satisfying the needs of consumers and making them feel like they have acquired a service or content at a fair price thanks to a model that was developed with them in mind is greatly contributing to, little by little, dispelling the idea that everything on the Internet should be free.

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

“Free” is not the same as “Freemium,” since Freemium is always accompanied by its pay counterpart, Premium. Making a portion of content available for free, like the first few chapters of a book, video game teasers, etc., does not mean that the content is being given away but rather that consumers are being given the chance to get to know the product before purchasing it. Many times, free is nothing more than a marketing ploy and marketing in and of itself is not a business model on which direct income can be based.
When talking about eCommerce and business models, another of the mistakes that was made has to do with the expectations of the Long Tail theory and its relative success. In the publishing sector, a large chunk of this myth is based on hyped up claims from Amazon and Chris Anderson on the subject. However, in 2010, a study\(^8\) which surprisingly did not have the impact that it could have had given the uncertainty of the times during the digital transformation, rejected the Long Tail theory. The authors of the study found that the long tail has in fact grown longer over time, with niche books accounting for a larger share of total sales. In other words, this phenomenon is actually a permanent shift and not just a short-lived trend, as was originally thought.

The analysis section of the study stated that, in 2008, niche books accounted for 36.7% of Amazon’s sales and that the consumer surplus generated by niche books had increased at least five fold since 2000. However, Amazon’s ability to sell books that were extremely niche was being limited.

Like Chris Anderson’s theory on free digital content, sales statistics show that the expectations of the long tail were overestimated since, contrary to what Anderson thought, they do not provide sufficient revenue to support digital business. In reality, they only supplement the total sales that sustain the business since, just because the Internet increases visibility, there is no guarantee that niche sales will take off.

This does not mean to say that the long tail should be underestimated or that it does not exist. A business model, no matter how digital it is, cannot base its hopes on niche books. Despite the increasingly effective tools for discovering and recommending books, the majority of sales still come from new releases.

That said, it cannot be denied that some of the models analyzed in this study, based largely on recommendations, like Netflix, support the long tail movement, thanks to subscriptions and to data collection (Big Data).

A much more recent report entitled “The Lost Tail: The Myth of Book Publishing’s Long Tail” concludes that the long tail is fading away as the eBook market grows. As the market share of global players grows, the impact that small and independent retailers have on sales diminishes dramatically. Though the overall eBook market has expanded significantly, bestsellers continue to take the lion’s share. In other words, according to the conclusions of the report itself, the head has grown faster than the tail.

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Digitalization has brought with it the need for companies to experiment with their business models in order to find the right balance for them. This can be accomplished by merging several models that adapt to the possibilities of their content and access to it, and to the particular and immediate needs of their customers as well.

If there is something that characterizes the new digital economy, it is that businesses cannot have a single focus. Instead, they require several diversified focuses in order to reach the different segments of a market that is much more varied and flexible than in the analog world. In the digital market, the concepts of local and distant are often-times irrelevant conditions for distributing and selling. As a result, there is a need to combine business models, to create mixed models, and to make the necessary adjustments that lead to better service or, in other words, to a successful experience for both company and consumer.

3.4. THE ACTIVE CONSUMER: PROSUMERS AND USER-GENERATED CONTENT (UGC)

The importance of consumers/customers in business transactions, which has been discussed several times in this study, situates them in the epicenter of everything. The digital tools of the so-called Web 2.0 and many others taken from self-management technology have made it so that consumers are not simply consumers but also the producers and generators of their own content. The growing trend towards self-publishing and self-publishing platforms is a product of this phenomenon which, though not new, has been enhanced by technology. Business models like self-publishing and crowdfunding incorporate the idea of consumers participating in the content production and/or creation process.

User-generated content (UGC) covers all types of creation developed using digital-age technologies including videos, blogs, forums, podcasts, social media sites, photography, wikis, and even eBooks. Many of these technologies are open source, free software, or copyleft licensed, although sometimes UGC can be in violation of intellectual property rights. Remixes and memes are some of the best-known examples of user-generated content on the Internet that is derived from other content.

From a legal point of view, the following classifications could be applied: content subject to copyright which is not based on pre-existing work; content subject to copyright that constitutes compound works in which users integrate a pre-existing work into another newly created work; and, lastly, content subject to copyright that transforms or adapts pre-existing work. This type of content is currently key to the creation and distribution of digital material in which users take on a more active role, thus adding considerable value to the new online business models.

In the publishing world, one of the main websites that was touted as an example of a user-generated content initiative was SocialBooks (today called BookShout!). This HarperCollins project brought eBooks, user-generated content, and social media sites together to create a new reading experience in which its users could share eBooks. These particular eBooks, however, were interactive, allowing users to share pictures and videos, connect with authors, leave comments and read text annotations. In reality, the platform was more like a social, shared reading group.

This type of content is on the rise. Publishers that are able to efficiently integrate user-generated content into their own content can give themselves a significant competitive advantage. Such is the case of the self-publishing platforms that this study has presented as one of the business models that publishers need to keep an eye on.

Users/customers go from being passive receptors to active participants. These consumers are encouraged to talk about the brands that they really like or about related products and content using the digital tools that the brands have implemented for this very reason, like with self-publishing platforms. In other words, whereas the Web 1.0 fol-
allowed a plan that was very similar to what brick-and-mortar shops were offering in terms of producer-customer relations, the Web 2.0, the so-called “social web,” along with its tools (social media sites, wikis, blogs, videos, etc.), has been what has converted the Internet into the ideal tools-and-services platform for the do-it-yourself crowd.

Due to this shift in mindset, digital content and service providers have had no other choice but to adapt their models to their customers’ needs so as not to lose them. Otherwise, they can watch how these customers go looking for what they want, sometimes with little regard for the law. Companies with business models like eBay’s in which customers have gone from being passive subjects to active non-anonymous members are products of the changing times. They are models which go beyond merely allowing customers to rate or comment on their experiences.

Publishers’ proposals in this area are also headed in this direction. In these proposals, readers are no longer simply people who buy books but they are rather encouraged to rate, comment on, recommend, and suggest ideas to the publishing world.

This is the case of Penguin’s First to Read initiative. This program invites select readers to read digital galley proofs or advance copies of the publisher’s new releases. These lucky first readers can then talk about the books on their social media pages. Penguin offers its registered members the chance to test out these pre-releases, but to be selected they need to first participate in a drawing since only a certain number of galley proofs are made available. Readers who are interested in participating can sign up for several books. First to Read also has a points program in which readers can earn points for participation, reading, reviews, and for each of the comments that they share.

This is not the first time that Penguin has used its community of loyal readers to encourage its users to discover and recommend books. Penguin has also designed a campaign for its most influential readers on social media sites, giving them free copies of its new releases so that they can be the first to review and promote its books81.

Reader involvement has reached the beta stage. As was said earlier, through the use of Big Data and by tracking the shopping, reading, and recommending habits of readers, the most digitalized platforms in the publishing sector can now start to decipher what ingredients a book needs to have to become a success.

Like the abovementioned eBook subscription platform Oyster, there are many tools and webpages that help gather information on readers. The next step then is to select “beta readers,”82 or specialists on certain aspects, according to the data, who can help publishers discover what the bestseller format is, which seems to be what this type of practice is best suited for.

What makes these beta readers different from those in First to Read, for example, is that the former can change the course of a book, from its plot to its characters to its style, etc. Possibly, this is why many think that this type of reader can best serve authors in the self-publishing world. This is nothing new, however. From webserials in which authors follow readers’ recommendations to the Red Lemonade project, similar experiments have been tested in which the readers have the power to direct or re-route the course of a book through their recommendations and comments, truly an ideal method for forums and specific genres.

A recent article published in The New York Times83 described several initiatives that ranged from crowdsourcing to models similar to Penguin’s. Swoon Reads, a young-adult imprint that is part of Macmillan Publishing, is upending the traditional discovery process by using crowdsourcing to select all of its titles. By bringing a reality-televi-

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sion-style talent competition to its digital slush pile, the publisher is hoping to find potential bestsellers that reflect not editors’ tastes but the collective wisdom and whims of the crowd.

It is evident, then, that the habits of consumers and prosumers change. One of the advantages of digital services, as has been repeated throughout this study, is knowing one’s users. Every industry now has the potential to track its customers’ Internet use and habits to map out how, when, and where they access information, goods, services, and content.

For example, publishers can see how their readers are opting more and more often for digital versions, which gives them information which they can then use to make strategic decisions and to redefine their business model to better adapt to an online setting.

According to the latest report by MPA - The Association of Magazine Media, between 2011 and 2013, the digital-only audience in the United States increased by 84%, from 9.2 to 16.9 million users. Digital magazine downloads were up 170% over the previous year, reaching 64 million downloads, or about 300,000 a day. According to this report, food magazines were the most downloaded at 35%, followed by celebrity/entertainment (28%), computers (24%), and health (23%).

The profile of digital magazine readers differs somewhat from traditional readers of print magazines. One out of four readers surveyed stated that since starting to read digital magazines, they have increased the time they spend reading, in both digital and print format. In the last year, the average time readers spent reading was 30 minutes per digital issue.

<table>
<thead>
<tr>
<th>Digital newsstands</th>
<th>total adults 18+</th>
<th>adults 18-34</th>
<th>adults +35</th>
<th>male</th>
<th>female</th>
<th>HHI &lt;$50K</th>
<th>HHI $50K-$100K</th>
<th>HHI $100K+</th>
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<td>33%</td>
<td>67%</td>
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<td>Apple iTunes (317)</td>
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<td>Google Play Magazine (206)</td>
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<td>Barnes &amp; Noble NOOK (200)</td>
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<td>Zinio (108)</td>
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<td>52</td>
<td>48</td>
<td>23</td>
<td>33</td>
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</table>

Source: MPA - The Association of Magazine Media Report

In the last year, the number of mobile devices sold increased significantly. Fifteen percent of online retail sales took place via mobile devices, which has led to a stronger alliance between advertisers and magazine media.

In conclusion, it must be reiterated that users, consumers, and customers require ever more attention since they no longer just buy services and products, like magazines and books. Having adapted to the digital world, these users, consumers, and customers now see themselves as active members who use their digital know-how to participate more in the business relationship.

In other words, today’s digital consumers know how to choose the option that best satisfies their needs. Those companies which best understand this, and which know how to implement the business models that best adapt to these needs, will have a considerable advantage over other companies that choose models that are either too static or lack flexibility. Online customers have no trouble switching from one particular brand or service to another with all of the options they have on the Internet.
4. Conclusions

According to evolutionary changes in the age of the digital economy, the new business models cannot be anything but a constant search for providing better customer service, though not in the traditional, obvious way, but rather service that is openly flexible and user-friendly and possibly even co-designed by customers themselves.

The aim of this study is to help creative industry professionals design the right mix of business models to meet the needs of each and every one of their customers. It is also hoped that the business models analyzed here can help these professionals get a good sense of the advantages and disadvantages of each of the models and how they fit into their own particular cases.

Success in choosing one business model over another will depend in part on how well companies understand their customers’ needs. Not all customers are willing to pay for a subscription, nor will all of them feel compelled to take part in a crowdfunding campaign.

The objective of this study is to give readers a broader view of the numerous opportunities that the new business models offer in the digital age as well as to clear up any doubts and dispel any preconceptions that readers may have. It is hoped that this study has served to reflect on how these models can be integrated into business strategies, whether the business is a publishing house, a bookshop, a library, an online shop, a distribution platform, or a media outlet.
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About Dosdoce.com

Dosdoce.com is a website dedicated to the analysis of new technologies in the book world. Since its launch in 2004, Dosdoce.com's aim has been to encourage publishers, booksellers, libraries, museums, foundations, etc. to incorporate all kinds of technology and to better understand the implications and benefits that using technology may have for their organizations.

Throughout the years, Dosdoce.com has compiled over 35 studies and reports on the use of new technologies in different areas of cultural industries. In November 2005, it published its first study “El papel de la comunicación en la promoción del libro” (The Role of Communication in Book Promotion). In 2006, two new studies were published “El uso de las tecnologías Web 2.0 en entidades culturales” (The Use of Web 2.0 Technologies by Cultural Entities) and “Los retos de las editoriales independientes” (The Challenges Faced by Independent Publishers). In October 2007, “Tendencias Web 2.0 en el sector editorial” (Web 2.0 Trends in the Publishing Sector) was published. In October 2008, “La digitalización del libro en España” (Book Digitalization Trends in Spain) was published in conjunction with the social network Ediciona. In early 2009, “Visibilidad de las ciudades en la Web 2.0” (City Visibility in the Web 2.0) was published, then in October came “La visibilidad de los museos en la Web 2.0” (The Visibility of Museums on the Web 2.0), and finally in November of the same year “La digitalización del libro y uso de las redes sociales” (Book Digitalization and the Use of Social Networks) was published. In 2010, “La visibilidad de las galerías de arte en la web 2.0” (The Visibility of Art Galleries on the Web 2.0) was published as was “Chuleta de las redes sociales” (Social Network Cheat Sheet), which has surpassed 20,000 downloads. 2011 began with the publication of the second edition of the study “Las galerías de arte en la web 2.0” (Art Galleries on the Web 2.0), and midway through the year “Fútbol 2.0” (Football 2.0) was published, which analyzed how football clubs are incorporating 2.0 technologies into their communication strategies and their teams, players, event promotions, etc. 2011 ended with the publication in September of “Industria editorial 2.0” (Publishing Industry 2.0), followed in November by “Conexiones entre museos en las redes sociales” (Museum Connections on Social Networks), the infographic “Derechos de los usuarios en la nube” (Users’ Rights in the Cloud), along with versions in Catalan, English, and Portuguese of “Social Network Cheat Sheet.”
2012 began with the publication of “Cronología de la edición digital (1912-2012)” (Digital Publishing. A Chronology (1912-2012)), and the Catalan and Basque versions of the infographic “Derechos de los usuarios en la nube” (Users’ Rights in the Cloud). Dosdoce.com recently published the results of the survey “Anatomía del perfil del editor digital” (Anatomical Profile of the Digital Publisher). In September 2012, “El directivo y las redes sociales” (Social Media and Management) was published in partnership with the Fundación CEDE and the BPMO Edigrup.

Dosdoce.com began 2013 with the publication of its new study “Cómo colaborar con startups” (How to Collaborate with Startups), a discussion paper on how to improve the relationship between companies in the book world and start-ups in the technological sector. In May of the same year, a new study on Museos en la era digital (Museums in the Digital Age) was published. The Dosdoce.com team ended the year by publishing the “Global eBook”, which analyzes the rapid evolution of eBooks in the US and UK markets and provides detailed information on the developing eBook markets in Europe, Brazil, China, India, Russia, and the Arab world.

In 2014, Dosdoce.com published five new studies. It kicked the year off with the publication of “Apps educativas” (Educational Apps), which provides an analysis on the rise of these tools as new pathways to knowledge. Subsequently, it published “Chuleta digital para las bibliotecas” (Digital Roadmap for Libraries), an infographic intended to be a reference guide for professionals working in the book world who want to know more about how new-generation technology can be applied in different library settings.

Together with Acción Cultural Española (Spanish Cultural Action, or AC/E), Dosdoce.com published the first Anuario AC/E de Cultura Digital (AC/E Digital Culture Annual Report) in April, with the intention of becoming a yearly reference document that analyzes digital trends in the cultural world, focusing on one particular sector per year. The Annual Report is structured in two main parts. The first part provides an analysis of the digital trends in the cultural world through nine transversal essays that touch upon every sector, written by experts on the subject matter. The second part provides a case study for good practices, both nationally and internationally, that identifies and explains the impact that new technology is having on a specific cultural sector (in this first edition, the focus was on the performing arts), emphasizing examples in which its implementation has been successful.

In June, Dosdoce.com published a study on the impact of self-publishing in the publishing sector, in collaboration with Biografías Personales. The aim of “Autores independientes: La irrupción de la Revolución Indie” (Indie Authors: The Self-Publishing Revolution) was to provide professionals in the book world (whether they are publishers, agents, authors, booksellers or librarians) with a broad analysis of the impact self-publishing has had on the publishing sector so that they may take advantage of the business opportunities and potential of self-publishing. Working with Publishing Perspectives and Actualidad Editorial, Dosdoce.com published the second edition of Guía de Autores de la Feria del Libro de Frankfurt (Authors’ Guide to the Frankfurt Book Fair) in September, with all types of advice, suggestions, and recommendations to help authors make the most of their visit to Frankfurt.

Finally, 2014 was brought to a close with “Nuevos modelos de negocio en la era digital” (New Business Models in the Digital Age) written for the launch of CEDRO’s Conlicencia.com platform, which gives users access to more than 6 million works in Spanish.

More information at: www.dosdoce.com
About CEDRO

Centro Español de Derechos Reprográficos (Spanish Reproduction Rights Centre), or CEDRO, is a nonprofit association of authors and publishers of books, periodicals, and other publications that are published in any medium. CEDRO is in charge of protecting and collectively managing their proprietary intellectual property rights (reproduction, processing, public disclosure, and distribution).

CEDRO's mission is to improve the conditions in Spain for the creators of written culture (writers, translators, journalists, and publishers) and to provide legal access to books, periodicals, and other publications published in any medium or in any format. This organization was authorized for this role by the Spanish Ministry of Culture in 1988, as part of the Intellectual Property Act.

CEDRO's main functions are:

→ to distribute the royalties due to authors and publishers for the use of their works;
→ to provide authors and publishers with support, training, and promotion services as part of its social role;
→ to carry out the collective management of for-purchase content and remuneration rights for public lending in libraries and similar institutions;
→ to grant clearance and licenses to use the works in its repertoire (http://www.conlicencia.com);
→ to protect its members’ interests in court and before other national and international institutions;
→ to inform the public of the principles of copyright and to raise awareness.

More information at: www.cedro.org

About Conlicencia.com

Conlicencia is a new digital platform that allows users to search for and obtain pay-per-use licenses quickly and easily online in order to legally use more than 6 million books, periodicals, and sheet music in Spanish.

Through Conlicencia, companies, documentation centers, libraries, universities, schools, academies, and other organizations can purchase and manage pay-per-use licenses online for the legal and sporadic reuse of content from books, magazines, and other publications that they need. In just four steps, users can search for the work (by author, title, publisher, or ISBN), specify the intended use, quantify the use, and pay for and obtain the license. Thanks to new technologies, Conlicencia is able to achieve a balance between the need for companies and institutions to legally use and share written works and authors’ rights to be compensated for this sporadic use of their works.

At the same time, Conlicencia also helps organizations improve the competitiveness and efficiency of their work, increase the quality of the services they offer (information, education, analysis...), and further their policies on social corporate responsibility.

This project is a pioneering initiative in the world of digital pay-per-use license management. Its design and development are the result of the experience acquired by CEDRO (Centro Español de Derechos Reprográficos, or Spanish Reproduction Rights Centre) in its more than 25 years of service.

More information at: www.conlicencia.com