

# **The Janus Strategy**

## **Launching a Norwegian Ebook Service in an Internationalized Publishing Industry**

### **Introduction**

The date was set for Monday 4<sup>th</sup> of April. Bokskya (which translates as “The Book Cloud”), the Norwegian book industry’s service for the distribution of ebooks, was finally going to launch. The service was highly anticipated by book lovers and tech geeks alike. Kindles and iPads in hand, book buyers in Norway were eager to find Norwegian content to fit. Publishers and booksellers went into cooperation to launch a service that was founded upon the existing value chain and based on the infrastructure of the Norwegian Book Database. Bokskya was intended to be the standard technological ebook infrastructure for the entire book business in Norway. However, the ebook service came to a rocky start and met with a great deal of criticism, both from within the book industry and from outside. Two months after its release it is revealed that the sales figures are disappointingly low, and some book sellers, as a result, have decided to adopt different ebook strategies.<sup>1</sup>

This paper describes Bokskya, its origins and ownership and places it within a context of strategic management. Furthermore it seeks to chart the challenges facing the publishing industry in a digital and internationalized media marketplace. It forms part of the author’s on-going Ph.D. research project to be completed in 2014, in which the Norwegian publishing industry and digital strategies will be more thoroughly examined. The empirical basis of the paper is newspaper articles on Bokskya (26.02.11-06.05.11), and book industry data, supplemented with preliminary interviews and conversations with book industry actors.

### **Bokskya and the book industry in a strategic context**

Until recently, the book publishing industry showed all signs of a mature industry (European Commission 2004). However, a number of trends – including, but not limited to digitalization – brings about structural change to the industry. The impact of the Internet and the influx of technology companies such as Amazon, Apple and Google into the world of books have created a situation of uncertainty and anticipation. Amazon has made its mark on the book industry since launching the Amazon.com book store in 1995, but has become an increasingly important actor with its vast ebook selection and the Kindle ereading device, introduced in 2007. Apple fully entered the ebook scene with

the launch of the iPad and the iBooks Store in April 2010. Google has earned a unique position with its online search platform and its massive Book Search database - and from December 2010 provides ebooks via Google eBookstore (US only). Taken together, these companies represent a potential force of international competition, coming from outside of the traditional publishing business.

### Responding to digital disruption

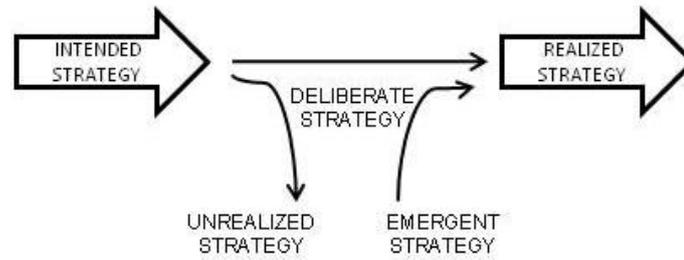
The introduction of ebooks and of e-reading devices has brought many (Picard 2003, Waldman 2010, Mierzejewska 2010) to claim that the book industry is witnessing *disruptive technologies* or *disruptive innovations* at work (Bower & Christensen 1995, Christensen 1997, Christensen & Raynor 2003). The concept is meant to describe a situation in which a new technology or innovation alters (or disrupts) the competitive structure of an industry. It is not yet clear whether the ebook innovations of today can actually be called disruptive, but in this context it is sufficient that managers in publishing make strategic plans and decisions based on that possibility.

For publishers, disruption opens for both opportunities and threats. The opportunities lie in the possibility of new revenue streams and in innovations with multimedia content (so-called enhanced ebooks). The aforementioned technology companies – as well as other smaller challengers - represent a threat to the major Norwegian publishers in that they may interfere with existing business models and ultimately with the entire value chain of books. Both Amazon's and Apple's cut of the sales price is highly disputed among publishers, but they are increasingly important as sales and distribution channels. Another perceived threat is *cannibalization*: The risk that increased ebook sales means diminishing print sales and a reduction of the overall revenue stream of publishers.

Perhaps the most common way to understand and categorize competitive forces is by employing Michael Porter's *Five Forces Model* (Porter 1985), in which he claims that in addition to existing rivalry among competitors in an industry, there are also four other forces shaping the competitive landscape: Customers, suppliers, potential entrants and substitute products. This rather elementary foundation for strategic analysis seems valid for the publishing industry also, but in the context of Bokskya it might be useful to consider other forces, given the importance of media coverage, government regulation, lobbying - and of course, technology.

Specific competitive forces call for a *strategic response*. This seems to imply an intentional strategy, but that may not always be the case. Business strategy is usually understood in terms of long-term planning to achieve future goals, but it can take many forms, and strategy formation can be identified on various levels. The multiple forms that strategies may take, prompted Mintzberg (1987a) to suggest five definitions: Strategy as plan, ploy, pattern, position and perspective. Mintzberg & Waters (1985) distinguishes between *intended* and *realized strategies*, adding that some strategic intentions are left unrealized while emergent strategies are realized despite of intentions, compare figure 1 below.

Figure 1: *Intended and realized strategies* (after Figure 1: “Types of strategy” in Mintzberg & Waters 1985:258)



Considering these distinctions, we are invited to see Bokskya as the *realized strategy*, behind which a number of processes took place. Some of these processes will be revisited and analyzed below.

### The Janus strategy in short

All in all, despite threats and pitfalls, avoiding ebook ventures altogether seems an untenable strategy, given the threat of international competitors and lean, specialized insurgents in the national market<sup>2</sup>. We need to see Bokskya as the specific outcome of the aforementioned complex strategic challenges. The Janus strategy implies that the large Norwegian publishers will seek to defend existing market power and the income stream of existing business models and distribution circuits, while at the same time attempting to counter the impact of and competition from foreign ebook providers. Like the god Janus, publishers need to face in two directions at the same time. This means taking into account both national and international competition; it means planning for the future with an eye to past experiences; and, naturally, it means balancing that longstanding publishing dilemma of business and culture, money and art.

### What is Bokskya – and what is it not?

Out of the challenges of digital disruptions and international competition Bokskya was born. So what is Bokskya? In short it is an application (i.e. a small software program) which enables accessing and reading Norwegian copyrighted ebooks on e-reading devices, tablets and smartphones. It is a so-called web-application which can be downloaded to the reading device of your choice (although a limited number) and used to read ebooks. As such, Bokskya performs two services: It creates a virtual book shelf (database) and it works as a reading application. The name Bokskya – The Book Cloud – reflects the fact that the books are not stored locally on your device, but can be accessed online via a server. This is commonly referred to as a cloud-based system. Ebooks can also be downloaded to a device so that they can be accessed when offline. Bokskya is a consumer-directed service focusing on titles for the trade book market.

Bokskya is based on the new web programming language HTML 5, and ebooks are read via the device's web browser. In that respect Bokskya differs from the so-called native apps developed for

Apples iPhones and iPads, or for devices that run on Google's Android operating system. Bokskya ebooks are further based on the Epub format, and are copyright protected via Adobe Content Server 4. Bokskya serves different types of Digital Rights Management (DRM), both so-called hard and soft DRM systems.

It is crucial for an understanding of the discourse surrounding Bokskya, to note that it is *not* a book store. You cannot purchase ebooks directly via the application. The service is rather interlinked with existing online book stores (most of them run by traditional booksellers, see below). An ebook purchased with one of the affiliated book stores can subsequently be accessed on various devices via the Bokskya application.

### Ownership of Bokskya

Bokskya is part of Digital distribution centre (Digital distribusjonssentral) which in turn forms part of the infrastructure of The Norwegian Book Database (Den norske Bokdatabasen). The Norwegian Book Database was established in 1984-85 in order to serve as an electronic solution to the needs of book industry actors seeking information on Norwegian book titles. Originally established by distributor Forlagssentralen, the book database and Bokskya today has a broad ownership of central actors from most sectors of the book industry, publishers, distributors and retailers, see table below.

*Table 1: Ownership of Norwegian Book Database as of 1<sup>st</sup> January 2011<sup>3</sup>*

<b>Book industry function</b>	<b>Shareholder</b>	<b>Share unit</b>
<i>Publishers</i>		
	Cappelen Damm	10 %
	Gyldendal	15 %
	Aschehoug	15 %
<i>Distributors</i>		
	Sentraldistribusjon	10 %
	Forlagssentralen	10 %
<i>Book stores/retailers</i>		
	Ark	5,00 %
	Haugenbok	5,49 %
	Libris	5,66 %
	Notabene/Senterbok	5,00 %
	Norli	5,00 %
	Tanum	5,00 %
	Fri bokhandel	3,03 %
	Studia	5,82 %

## Bokskya and the structure of Norwegian publishing

A closer look at the ownership structure of Bokskya gives us a number of clues to understand the structure and dynamics of the Norwegian book industry. First a few words about the industry:

While uncertainty over digitalization is also the case in Norway, simultaneously, the Norwegian book industry is relatively stable and profitable. The book market in 2010 is estimated at 6 billion NOK by sales value (approx. 1 billion USD/760 mill Euro).<sup>4</sup> The annual output of books has increased over the last decade and is at present at around 6000-7000<sup>5</sup>. Average reading is also high (24 % in 2010) and has seen a general increase since 1994<sup>6</sup>. The literary system is protected by a general book agreement that establishes a fixed price for new books. Also significant is the *Innkjøpsordningen for litteratur*, an arrangement in which the government purchases a substantial number of fiction and non-fiction titles for the public libraries. The Norwegian Publishers Association lists 90 member organizations, but in addition comes a vast number of small non-member publishers, many of whom are specialized niche publishers. The book industry is dominated by a few major companies, and the degree of integration (both horizontally and vertically), cross-ownership and collaboration is striking.

The major owners of Bokskya are publishing houses Gyldendal, Aschehoug and Cappelen Damm, the “big three” in Norwegian publishing. These three in turn own the book distributors Forlagsentralen (Gyldendal and Aschehoug 50 % each) and Sentraldistribusjon (Cappelen Damm 100 %). All three also have imprints with a substantial output. It also needs mentioning that the “big three” are involved in the dominant book clubs.<sup>7</sup>

Similarly, several of the book stores involved form parts of large integrated publishing houses. The book store Tanum is part of the Cappelen Damm-corporation, Ark is owned by Gyldendal, whereas Aschehoug owns Norli. In March 2011 the Norwegian Competition Authority approved a merger of book stores Norli and Libris, adding to the concentration of retail power in the “big three”.

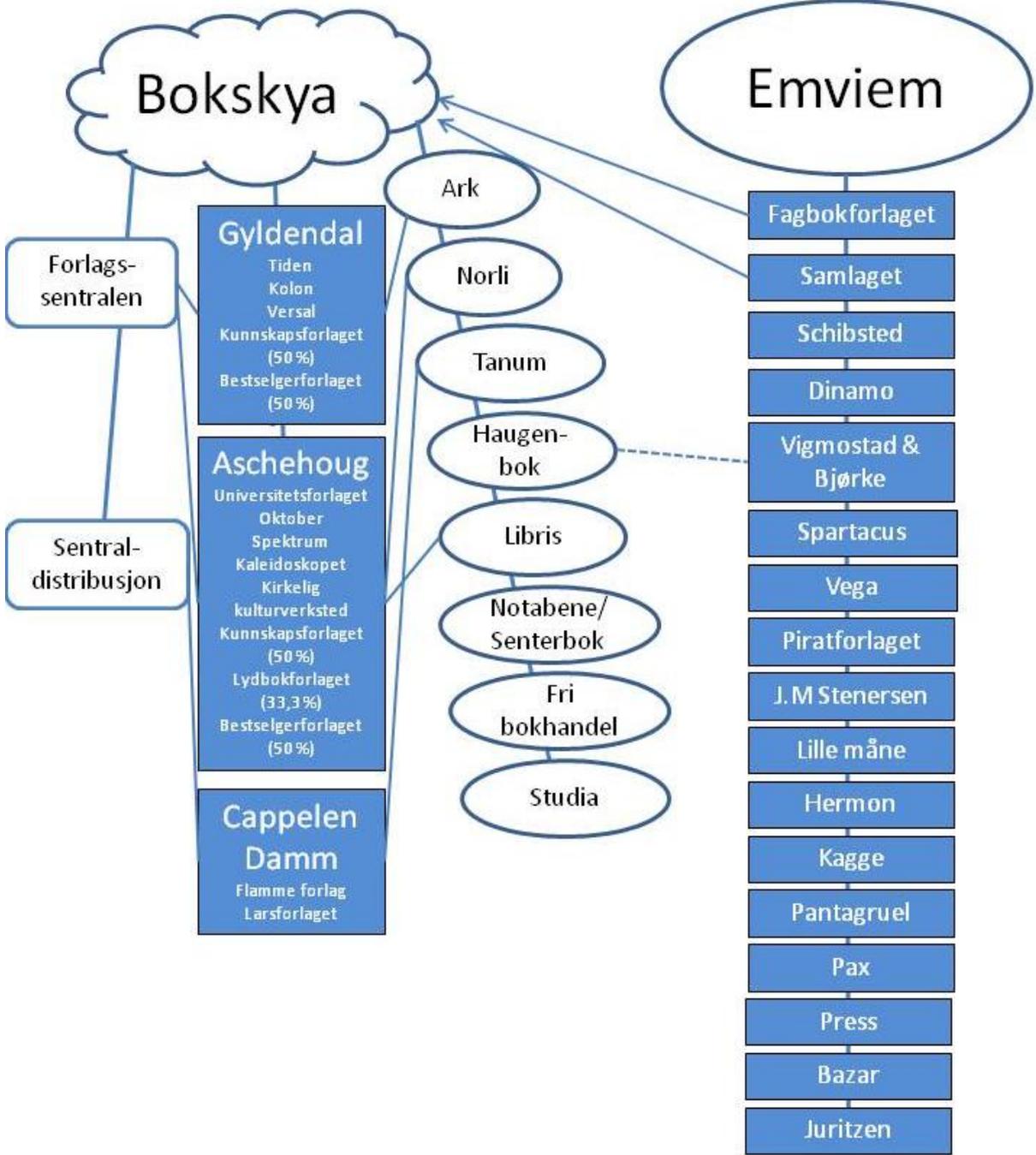
Furthermore, Haugenbok is as of March/April 2011 partly owned by publisher Vigmostad & Bjørke, a significant provider of books for education and academia through Fagbokforlaget.<sup>8</sup>

It is worth noting that small- and medium sized publishers are missing from the ownership. Also missing are companies outside of the book industry and foreign companies. As mentioned, Bokskya was intended as a cross-industry solution, open to all Norwegian publishers. However, the board of Bokbasen decided that only stock holders would have access to the service. Also, any acquiring of stocks must be approved by all stock holders, a move that effectively blocks out international competitors like Amazon. But it also raised angered responses from small publishers who conceived of this as an attempt to control book retailing.<sup>9</sup>

The original business model meant that Bokskya charged 10 % of revenue, but this was later adjusted to 5 %, as the small- and medium sized publishers were reluctant to enter into such a contract. The share that Bokskya charged per ebook sale came on top of the share charged by the retailers. As of

today, only publisher Samlaget altered its decision and entered into the Bokskya agreement. The outcome was that the small- and medium sized publishers entered into business with Emviem, a Swiss owned ebook retailer focusing on the Nordic markets. Emviem.com, owned by MVM Distribution Services, provides an online ebook store for publishers in Norway, Sweden and Finland. 17 small- and medium sized Norwegian publishers are affiliated with Emviem, none of whom are integrated with book store chains<sup>10</sup>.

Figure 1: A general outline of ownership structures in Norwegian ebook services Bokskya and Emviem



## The internationalization of (e)book publishing

The book industry can be seen as being both “reluctant to globalization” (Sapiro 2010:419) and “at the heart of the processes of globalization” (Cope & Kalantzis 2006:198), depending on your perspective. In any case, globalization and internationalization in publishing is not a straightforward process. For instance, the Norwegian book market is to a large extent national and defined by Norwegian actors and Norwegian language. Notwithstanding, internationalization makes a definitive impact, especially with regards to digital strategies in the face of players like Amazon, Apple and Google.

This paradox begs for conceptual caution, so I prefer the term *internationalization* over *globalization* and refer to it as a complex process that involves media companies that operate across national boundaries and media texts that are read, heard and seen in other countries than where they originated.<sup>11</sup> The term globalization, often used synonymously with internationalization, carries connotations toward cultural imperialism and seems to eschew the fact that transnational cultural exchange does not span the entire globe, but is rather defined by social, economic and technological barriers. Many international players in publishing and media industries are *regional* rather than global. Trends affecting the publishing business of conglomeratization and internationalization can be divided into different phases or waves. Thompson (2010) separates two phases regarding the anglo-American book trade. The first “synergy phase” stretches from roughly the early 1960s to the early 1980s, and the second “growth phase” from 1980s to the present. The synergy phase is of minor importance to the Norwegian situation, and was marked by large American corporations acquiring traditional publishers.<sup>12</sup> In the second phase, European and other non-US companies took the active part. Publishers and media companies such as German Bertelsmann, French Lagardère, Australian News Corp. and British Pearson have come to define the growth phase of publishing. Also prominent in this regard, are Nordic media companies such as Egmont, Bonnier and Schibsted. The growth phase very much shaped Norwegian publishing. Until 1987, the publishers in Norway were all domestic companies. The 1980s saw the Norwegian book industry entering a phase of integration and conglomeratization.<sup>13</sup> Egmont and Bonnier acquired, respectively, publishers Damm and Cappelen, who later merged to form Cappelen Damm. Gyldendal and Aschehoug remained on Norwegian hands and each built integrated publishing houses by acquiring book stores and smaller publishing businesses.

A recent survey of the biggest players in the global publishing business (Wischenbart 2010) provides a clear indication that European companies are still dominant. The digital age may alter that picture. There is good cause for claiming that we are about to enter into a third phase of international publishing. The commercial side of ebook business is now pushed forwards by American companies Amazon, Apple and Google. These three definitely have an international impact, and represent the foreign companies that are most likely to make a significant entry into the Norwegian market. (A dark

horse in this race is Barnes & Noble, the book store chain whose Nook device has made it a considerable player in the US ebook market.)<sup>14</sup> Amazon in particular has adopted an active and sometimes aggressive mergers and acquisitions strategy to help it gain an even stronger foothold in the global publishing industry (De Young 2009, Treanor 2010). Amazon is also moving into publishing proper, having established a number of imprints under the Amazon Publishing umbrella.<sup>15</sup>

The international influence is also evident in the global or transnational diffusion of bestsellers. Translations of bestsellers is one aspect of this trend, the other is the import and export of foreign language books. From a Norwegian and Nordic point of view, imported English foreign language literature is the most important factor, but the enormous success of Scandinavian crime fiction in foreign markets in recent years is evidence that transnational exchange goes both ways.

There is reason to believe that ebooks will follow along this globalized bestselling trend, and most likely reinforce it, since the distribution of ebooks is a lot less bound by national borders. Also, the sinking costs of distributing and storing digital content may lead to a diverse “long tail” of ebooks (Anderson 2006), and as such act as a counterforce to the dominance of international bestsellers. A possible threat to Norwegian publishers is that they will be bypassed in this ecosystem of global ebooks.

Rønning & Slaatta (2010) have remarked:

For the time being, Nordic publishers have been able to act as “gatekeepers” for their own domestic e-book markets, and have been able to maintain their stronghold with a view to printed books. With new reading devices and an expanding international e-book market, this has become an increasingly difficult strategy to pursue (Rønning & Slaatta 2010:33).

Bokskya can be seen as an attempt to maintain this gatekeeper role for Norwegian publishers.

## **A short prequel to Bokskya**

It falls outside of the scope of this paper to provide a detailed account of the history of Norwegian digital and ebook publishing<sup>16</sup>, but a brief backward glance is called for, as Bokskya is only the latest stage of Norwegian electronic and digital publishing. Revisiting some failed technological innovations makes it all the more clear that technology *buzz* often has the effect of obscuring what is actually happening, overestimating the effects of technology alone (Winston 1998). The efforts to assess the impact of ebooks have often been similarly eschewed towards technology (i.e. ebook devices) rather than broader social, cultural, legal and commercial aspects (Young 2009, Lynch 2001).

The first electronic/digital venture of Norwegian publishers is connected with a technology that has been made almost entirely obsolete by today, namely the CD-rom. Cappelen Damm and Kunnskapsforlaget each launched CD-rom encyclopedias in 1991/92. Both eventually emigrated to

web-based platforms<sup>17</sup>. Even though there were some successful CD-rom endeavors, specifically in encyclopedias and reference works, the experiences made by publishers and other book industry actors (in Norway and elsewhere) were mostly negative. The failed CD-rom initiatives “caused skepticism towards costly ventures into any other media than the printed book” (Steiner 2009:106, my translation<sup>18</sup>).

Secondly, there is good reason to note that publishers Aschehoug and Cappelen brought forth a small selection of ebook titles for the consumer market already in 2000. Media interest was high; sales were disappointing. The failure of this first ebook movement (and the concurrent bursting dotcom bubble in 2001) greatly influenced trade publishing strategies. Trade publishers were able to adopt a cautious approach to digitalization and the Internet, unlike for instance in the newspaper industry, and, notably, in the fields of academic and professional publishing. Until recently, with the success of net-based ebook services connected to the Kindle, iPad and Nook devices, the Internet’s impact on the trade book industry was mostly on the retail side (esp. Amazon.com).

Norwegian publishers to a large extent adopted the cautious (some would say passive) strategy, but Cappelen Damm has been less guarded than the two main competitors, as illustrated by the brief history of ebook company Elittera. The small Norwegian company has provided ebooks since 2007, and was for pursuing contracts with Norwegian publishers. Cappelen Damm bought into the business in 2009 (33 % share), but only a year later Elittera declared itself bankrupt. Cappelen Damm maintained the online store digitalbok.no, which remains the publisher’s ebook outlet.

Gyldendal and Aschehoug chose to bypass Elittera, and there was talk of creating a solution with The Norwegian Book Club (Bokklubben).<sup>19</sup> This strategy caused an outrage among certain small publishers (Bazar, Pantagruel) who chose to withdraw from the Norwegian Publishers Association in protest against what they perceived as a general tendency of Gyldendal and Aschehoug to misuse market power.

### **Bokskya approaching**

Skepticism, caution and careful positioning thus marked the lead-up to the launch of a Norwegian ebook service. The first hint of an ebook distribution system like Bokskya is to be found in a digitalization report (Bokhandlerforeningen 2008) made for the Norwegian Booksellers Association and presented in June 2008. The authors of the report warned that publishers might be lead to “forget” the book stores and urged the booksellers to actively seek collaborative solutions with other parts of the book industry. Secondly, they recommended a general industry-wide solution based on The Norwegian Book Database. As would be expected, the booksellers formed a crucial part in this distribution model.

Further indications of a collaborative ebook solution came in the summer of 2009, and the time for launch originally communicated to the press was autumn 2009. At that time the technological structure was already in place<sup>20</sup>, but it soon became evident that a 2009 launch was unrealistic. First, the book industry found it imperative to sort out a number of issues. Chief among them were questions related to value added tax (VAT) on ebooks, copyright protection, digital formats and the hardware situation, pricing, and the negotiation of contracts with authors.<sup>21</sup> The multiplicity of these issues signifies that Bokskya is not the answer to only one strategic challenge, but several interrelated challenges.

Especially the issue of Value added tax (VAT) was a matter of debate and concern. Under the current VAT legislation ebooks are categorized as a *digital service* and as such do not benefit from the full tax exemption granted from 1969 to printed books. In the face of competition from US book resellers, publishers were afraid that the prices of Norwegian ebooks with standard 25 % VAT would compare unfavorably to imported ebooks from the USA, where there is no VAT and where Amazon have pushed prices towards the bottom. The book industry was hoping to see VAT-free ebooks or at the very least to be accommodated by a low VAT of 6 to 8 %, but their hopes were dashed when the Ministry of Finance decided not to meet the demands. The Ministry did, however, alter the legislation on imported ebooks, which would as part of the 2011 Fiscal Budget, be subject to standard 25 % VAT.<sup>22</sup>

### **The point of no return?**

So why did the publishers and booksellers decide to launch Bokskya on April 4<sup>th</sup> 2011, after months and years of evaluating and waiting and postponing? Had they reached a point of no return?

As mentioned, the discussion on VAT is an important factor, but since that issue was resolved in 2010, it is clear that other factors played a part. The Publishers Association worked for a long time with negotiating ebook contracts with authors, an issue that was resolved only in June 2011, so it is evident that the timing of Bokskya was not determined by this factor. However, the timing of the launch is most likely influenced by the introductions of the Kindle 3 in July 2010, the iPad 1 in December 2010 and the iPad 2 in March 2011.

In August 2010, a document entitled National Ebook Strategy (Nasjonal e-bokstrategi) (Olsen et.al 2010) was circulating within the book industry. The five page memo was not strictly a strategy document, but rather a draft for discussion, penned by author Morten Harry Olsen, Bjarne Buset of publisher Gyldendal and Kjartan Vevele of Biblioteksentralen (a central office for public libraries). Nonetheless, the National Ebook Strategy provides insight into the rationale behind the launch of Bokskya and of the timing. The document invokes a sense of urgency to a matter that had for years been suspended. And the urgency is actualized by 1) the threat of international competition, and 2) the prospect of uncoordinated ebook launches and initiatives from various Norwegian actors. It sketches a

solution based on the infrastructure of the Book Database, and collaboration between publishers, bookstores and libraries.

## **Launching Bokskya: Media coverage and criticism**

In the weeks leading up to the launch, a number of Norwegian newspapers kept a close watch on the market for ebooks in Norway. As it became clear that Bokskya would not be the definitive cross-industry platform, much of the media coverage was characterized by disapproval or reserve. Criticism arose that the solution would be yet another example of concentration of power in the book industry, a reiteration of the objections raised when Elittera failed.

Still, Bokskya received some welcome praise in Norway's largest newspaper Aftenposten. The newspaper had been allowed a sneak preview of the service a good month before the launch. The journalist reported that "the developers have been successful in avoiding the much debated lock-in by Apple and other giants of American business". The focus on Norwegian vs. American interests continued as the article stated that: "Neither Apple nor Adobe (...) need to earn as much as a krone [the Norwegian currency] when the shops open for business with Norwegian ebooks around April 1<sup>st</sup>".

Managing director of Bokskya, Edmund Austigard, concluded in the article: "We took a risk, and now we see that we had a good portion of luck when we chose our technological solution" (This and the above quotation from Aftenposten 260211).<sup>23</sup>

## **Bokskya in the media**

Austigard's seemed a poor choice of words a month later, when Bokskya launched on Monday April 4th. The reception, in both traditional media and in social media channels such as Twitter and in blogs, was almost unanimously negative. The failure to include all the publishers was one aspect; equally disappointing was the lack of new titles and bestsellers and what was seen as high prices (compared to Amazon's \$ 9.99 selection).

"The total impression of the ebook offerings on the launch day, is more akin to the bargain bin at a flea market than a grand initiative to offer appealing books for a new technology", reported business daily Dagens Næringsliv (050411)<sup>24</sup>. Several comments made comparisons with the superior usability of Amazon's and Apple's online stores: "For consumers of culture, used to one-click shopping in mega-services such as Amazon's Kindle, the Norwegian ebook offering of today appears fragmented and oldish" (Dagbladet 040411).<sup>25</sup> Other journalists, bloggers and twitterers chimed in, all in similar notes. Blogger and author Ida Jackson bitingly remarked that Bokskya was "a premature solution introduced too late" (Quoted in Dagsavisen 050411).

The criticism voiced by journalists and commentators was perhaps not surprising, but critical remarks were also made by other parties concerned. The leader of the Norwegian Authors Association, Anne Oterholm, criticized the blocking out of external retailing actors.<sup>26</sup> Along a similar vein, the Norwegian Consumer Council raised concerns about the Bokskya solution being disadvantageous to consumers and that the outcome could possibly be increased illegal downloading.<sup>27</sup> The range of the criticism is worth taking into account, as these voices represent more than just book industry interests. They also prove that ebooks is a matter of great interest and that there seems to be more at stake than a battle for market share.

### **Dynamic and structural dimensions influencing the Bokskya strategy**

I have termed the strategy employed by the publishers behind Bokskya the Janus strategy, a concept meant to point to the strategic challenges from domestic and international actors respectively. In the following I attempt to go a little further and (somewhat) deeper into the strategic matter. Following from the above discussions of Bokskya, the structure of Norwegian publishing and the competitive situation brought on by digitalization and internationalization, the next part of this paper will offer some conceptualizations of strategy formation and strategic behavior. A set of dimensions will be introduced to help clarify the strategic challenges involved in the creation of Bokskya, but which also have, I believe, a wide relevance to other parts of the publishing industry. The dimensions are categorized as *dynamic* and *structural*, respectively.

The dimensions have played out in various ways to influence Bokskya, as will be briefly explained below.

#### **Dynamic dimension #1, Haste/Patience**

This dimension - the time dimension - is critical and plays out in a complex fashion. As we have seen, the organizations behind Bokskya were cautious not to release a solution that was not tried and tested. And yet, it was evident that there was a demand for an ebook service. The demand may not have come from the general book reading public, but from “techies” and “gadgetlovers”, always eager to test new technology and innovations.

Also, the prospect of Amazon, Apple and Google entering the Norwegian market, was a matter of concern. In this respect, the strategic advantages of being *first mover* in the Norwegian market come into play.

If we confer the National ebook strategy, we see that the industry itself considered the need to launch an ebook service to be pressing and urgent. On the other hand, are statements that go in the opposite direction, indicating that hasty decisions would damage the ebook market, and ultimately hurt

consumers. These are the competitive disadvantages connected to being *first mover* and point toward advantages to being *second mover* (Porter 1985).

It is furthermore relevant for the time dimension to recall the concepts of *intentional and realized strategies* (Mintzberg & Waters 1985). The Booksellers Association's digitalization report expresses one intentional strategy, as does the National ebook strategy. Several lines of development forced the people behind Bokskya to change direction: The VAT issue, the launch and success of Kindle and iPad, reluctance from small- and medium sized publishers and authors to partake in Bokskya. These push forward emergent strategies and leave other strategic options unrealized. This complex strategic formation process takes place on a dimension of time and represents a challenge in itself.

### **Dynamic dimension #2, Change/Stability**

As noted, the Norwegian book industry is stable and has reached a state of relative consolidation.

Digital technologies are normally associated with abrupt change, but Bokskya seems to be an attempt to cement the competitive situation in the industry, or at the very least to balance the need for stability and the pressing demands for change. In a sense, forming a strategy is a way of establishing (a sense of) control. "Strategy is a force that resists change", as Mintzberg (1987b:29) claimed.

The Bokskya ownership model is equally a stabilizing force, geared towards shifting the competitive situation of the print business into the digital era.

A comment should also be made on the distinction between *tradition* and *innovation*. The book industry is commonly regarded as leaning towards the former (Picard 2003). The caution we have observed in the publisher's strategies may well be connected with their *legacy*, i.e established practices, competencies and business models that are solid, but inflexible.

### **Dynamic dimension #3, Cooperation/Conflict**

A prominent trait of the field of Norwegian publishing is that the book industry often comes together in collective efforts and projects as well as in forming contracts and agreements. A concept that seems helpful in explaining the particular strategic choice behind Bokskya is *co-opetition* (Brandenburger & Nalebuff 1996). Co-opetition is a way of seeing business rivals not just in terms of competition, but also in terms of cooperation (Brandenburger & Nalebuff 1996, cf. Hamel et.al 1989). Co-opetition strategies are often aimed at maintaining a stable competitive situation in the market and to "improve the positions of cooperators against a common threat" (Küng et.al 2008:131), cf. dimension # 2 above.

The 'collectivist trend' is added to by the fact that there is a substantial degree of vertical ownership in the industry. As we have seen, this is the case for the database and distribution services and for Bokskya. In order to achieve the goals aimed at, prominent parts of the Norwegian book industry saw it expedient to create a cross-industry collaborative solution. As such they acted as what Porter (1980) calls "a strategic group", that is "the group of firms in an industry following the same or a similar strategy along the strategic dimensions" (Porter 1980:129). This may seem contradictory, given that

strategy entails “choosing to perform activities differently or to perform different activities than rivals” (Porter 1996:64). However, the definition of “rivals” may change as the market situation is altered. Such was the case, when Norwegian publishers faced intruders from across the Atlantic.

Of the big three, Gyldendal and Aschehoug have a long tradition in forming business alliances, whereas Cappelen Damm sometimes tends towards ‘going solo’, seeking for instance to cooperate with Elittera, the small independent ebook retailer. Evidently, the most powerful strand of resistance towards the collectivist trend was proven by the opting out of Bokskya by the small publishers.

Also worth noting is the fact that cooperation and co-opetition typically takes place *within* the national book industry. Outsiders are not always welcome, or as CEO of Gyldendal, Fredrik Nissen expressed in 2008 with regards to Elittera: “We are skeptical towards bringing in parties external to the book trade and believe that the distribution of ebooks should be performed internally in the book business.”<sup>28</sup>

#### **Structural dimension #4, Big/Small**

How big is a big publisher? Naturally, the size dimension is a matter of relativity and context. In a Norwegian setting, Aschehoug, Gyldendal and Cappelen Damm are the industry giants, but they are dwarfed by the size of Amazon, Apple and Google. The attempt to depict the ebook battle as David against Goliath, however, did not catch on. The publishing industry’s effort to stand united against strong challengers to a large extent failed as cooperation crumbled.

Related to the size dimension are the concepts of *incumbent and insurgent organizations* (or established and new). Norwegian publishers need to formulate a strategy as incumbents, already burdened with legacy systems, practices and processes, which in itself is a tough challenge in a rapidly changing market (Küng et.al 2008:125).

Furthermore, as markets change and become internationalized, so do roles. Amazon, and to a lesser extent Apple and Google, have established a position in the home market as incumbents. However, in the Norwegian market they are the insurgents facing up to incumbents Gyldendal, Aschehoug and Cappelen Damm. As we now know, the small and medium-sized publishers decided to opt out of collaboration with Bokskya, in favor of a more distinct insurgent role with Emviem. The changing of the incumbent/insurgent roles poses some challenges to strategy formulation in the companies, as “the external and internal contexts implicit in these two contrasting situations give rise to different management priorities” (Küng et.al 2008:125). Once more, we see that the Bokskya strategy is shaped through a process.

The size dimension is considered important also in an international context, see for instance Thompson (2010) and his discussion of the polarization of the field of Anglo-American publishing, resulting in a small amount of very large publishers and a large amount of very small ones.

### **Structural dimension #5, National/International**

This dimension has been invoked quite explicitly in the debate over Bokskya. As Bjarne Buset of Gyldendal remarked: “We do not play around when faced with American technology giants spearheaded by Amazon, then we fight” (Klassekampen 010411).<sup>29</sup> Expressions such as “American technology giants” not only highlight the size dimension, but also conflict lines along dimensions such as National/International, Norwegian/American and European/American.

Amazon, Apple and Google represent international actors, whose presence can be used to justify rhetoric of “cultural anti-imperialism”. This discourse was even adopted in the newspaper article from Aftenposten 26. February 2011, but seemed to lose its impact after the actual launch and with the divisive split between Norwegian publishers coming into the light with the Emviem solution.

### **Structural dimension #6, Private/Public**

Most concerned parties in relation to Bokskya are privately owned commercial companies. The dimension of Private/Public is nevertheless crucial to forming a strategy involving government regulation (cf. the issue of Value added tax) and media-/cultural policy. Also related to this dimension is the cooperation with publicly funded libraries (consider Bibliotekssentralen taking part in articulating the National ebook strategy).

### **Conclusion**

I have argued for an understanding of Bokskya as a strategy that takes into account both national and international competition. This is what I have coined the Janus Strategy. The intentional strategies we have been examining reveal an attempt to bring together book industry actors in order to fend off competition from Amazon, Apple and Google. The timing of the launch as well as the technological specificities of the service was determined by the international competitive situation. Crucially, Bokskya is built upon the existing industry structure and infrastructure. The failure of the service – at least from perspectives of market and PR – is to a far extent caused by the inability to establish the desired industry-wide solutions. The problems involved in the development of the Bokskya strategy indicate how complex the transition from print to digital can be, and how an established competitive situation can be a hindrance to collaborative initiatives. Finally, the paper provided a set of dynamic and structural dimensions to aid in understanding the complexity of the strategic challenges behind Bokskya.

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### Internet resources and databases

All newspaper articles are retrieved via Atekst/Retriever.

[www.bokbasen.no](http://www.bokbasen.no) (The Norwegian Book Database)

<http://forleggerforeningen.no/> (The Norwegian Publishers Association)

[www.bloomberg.com/](http://www.bloomberg.com/)

[www.publishersweekly.com](http://www.publishersweekly.com)

[www.medienorge.uib.no](http://www.medienorge.uib.no)

<http://tomegeland.blogspot.com/>

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<sup>1</sup> Sales numbers two months after opening are reported to be at a mere 20000 copies, and that around two out of three books have been given away for free or sold at extremely low (“give-away”) prices (cf. Dagsavisen 090611: “Bokhandlerne dropper Bokskya”). The book store chain Libris thus decided to launch its own ebook store application, built on a similar technology as Bokskya and linked to its database solution.

<sup>2</sup> The focus in this paper is on competition from international and established national actors, but small specialized ebook publishers may very well play an important part in the future.

<sup>3</sup> Cf. [www.bokbasen.no](http://www.bokbasen.no), the webpage for the Norwegian Book Database.

<sup>4</sup> According to “Bransjestatistikk 2010”, statistical data from the Norwegian Publishers Association. Cf. <http://forleggerforeningen.no/nor/bransjestatistikk>.

<sup>5</sup> According to data from the National Library of Norway, statistics available through Medienorge: <http://www.medienorge.uib.no/?cat=statistikk&medium=boker&queryID=214>

<sup>6</sup> According to data from Statistics Norway, statistics available through Medienorge at <http://www.medienorge.uib.no/?cat=statistikk&medium=boker&queryID=142>

<sup>7</sup> Gyldendal, Aschehoug and publisher Pax (3 %) jointly own the Norwegian Book Clubs. Cappelen Damm has its own portfolio of book clubs under the umbrella of Tanum Book Clubs.

<sup>8</sup> Vigmostad & Bjørke AS is a publishing house with three subsidiaries: Fagbokforlaget, Eide forlag, and Vigmostad & Bjørke. The house is currently positioning itself within the academic book market by establishing a chain of campus book stores called Campusbok. It is too early to predict what the acquisition of Haugenbok and the establishing of Campusbok will mean, but V & B seems to be manoeuvring for a more prominent position within the Norwegian book industry. Fri bokhandel is an association of independent book stores, whereas Studia is an academic book store owned by the student organization in Bergen. Notabene/Senterbok is a chain of shopping mall book stores.

<sup>9</sup> For instance, it prompted publisher Finn Jørgen Solberg of Vega forlag, who had plans to launch an ebook store of its own, to claim that: “It’s an old strategy at Sehesteds plass [the location of publishers Aschehoug and Gyldendal] to position oneself in the frontline only to put brakes on the development. We as publishers, are interested in having as many stores and channels as possible open to the public” (Aftenposten 270311).<sup>9</sup>

<sup>10</sup> With the exceptions of publisher Pax, who is part owner (with Aschehoug imprint Oktober) of leftist indie book store Tronsmo in Oslo and the aforementioned Fagbokforlaget/Vigmostad & Bjørke (see note 4).

<sup>11</sup> My understanding of the concept is indebted to Hesmondhalgh (2007).

<sup>12</sup> The purchase of Random House by RCA in 1965 is a prime example.

<sup>13</sup> See Andreassen (2006) for a more detailed account.

<sup>14</sup> According to a February 2011 report from Goldman Sachs Group Inc, Amazon.com generates 58 % of ebook sales, followed by Barnes & Noble’s 27 %, Apple Inc. at 9 % and Borders with 7 %. Referred to by Bloomberg.com, cf. <http://www.bloomberg.com/news/2011-02-22/barnes-noble-falls-after-dividend-halt-same-store-sales-rise.html>. (Authoritative ebook sales figures are notoriously hard to get a hold of.)

<sup>15</sup> Amazon Publishing’s imprint labels include, per June 2011: Encore, Crossing, Montlake Romance, The Domino Project and Thomas and Mercer.

<sup>16</sup> The author’s Ph.D project seeks to provide such a more detailed view.

<sup>17</sup> Cappelen Damm’s web-based Caplex encyclopedia was terminated in June 2011. Kunnskapsforlaget is jointly owned by Aschehoug and Gyldendal. It ceased publishing its online encyclopedia *snl.no* as of July 2010; private (commercial and non-commercial) investors are currently financing *snl.no* until 2013-14.

<sup>18</sup> Original quote in Swedish: “Cd-rom-satsningen var det första stora tekniska och mediemässiga mislyckandet i bokvärlden, och det har lätt til mistro mot kostsamma satsningar på andra medier än den tryckta boken” (Steiner 2009:106).

<sup>19</sup> Cf. Dagens Næringsliv 011208: “Vi synes det er et blindspor å gå via Elittera, og vil heller jobbe sammen med Aschehoug og Bokklubben for å skape en bredest mulig bransjeløsning”.

<sup>20</sup> Cf. paragraph below on “Nasjonal e-bokstrategi”.

<sup>21</sup> The concerns related to these digital issues correspond, to a large extent, with concerns in American publishing prior to Amazon’s entering the field (cf. Towle et.al. 2007).

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<sup>22</sup> Two notes concerning cultural policy: a) A Government appointed public committee, with a mandate to assess the totality of grants systems for Norwegian media, concluded its work in the autumn of 2010 with a split conclusion: The two recommendations were categorized as the *Redistribution alternative* and the *Multimedia alternative*, the former favoring a standard low VAT of 8 % for digital services, and the latter arguing for a combination of VAT exemption for traditional media and a low percentage for digital services. The committee did not specifically address book industry concerns, but it is likely that cultural policies for digital media need to be coordinated. b) A proposal has been raised to establish as law the Book Industry Agreement, a non-legislative agreement between the associations for Norwegian publishers and booksellers, respectively, regulating for instance pricing of books.

<sup>23</sup> Original quotes in Norwegian: "Vi kan bekrefte at utviklerne har klart å omgå den mye omtalte innlåsing fra Apple og andre giganter i amerikansk næringsliv. Hverken Apple eller Adobe (...) trenger å få en krone når det rundt 1. april åpnes for kjøp av e-bøker fra de fleste norske forlag. (...) Vi tok en sjanse, og nå ser vi at vi har hatt en god porsjon flaks med valg av løsning, sier direktør Edmund Austigard i Bokdatabasen." (Aftenposten 260211).

<sup>24</sup> Original quote in Norwegian: "Det samlede inntrykket av tilbudet av ebøker på lanseringsdagen ligner mer restekurven på et loppemarked enn noen storsatsing på attraktive bøker for en ny teknologi" (Dagens Næringsliv 050411).

<sup>25</sup> Original quote in Norwegian: "For kulturkonsumenter som er vant til å handle med ett klikk i megatjenester som Amazons Kindle, framstår dagens norske eboktilbud som fragmentert og gammelmodig" (Dagbladet 040411).

<sup>26</sup> "-Snevre næringsinteresser" in Klassekampen 010411

<sup>27</sup> "Bokskya kan føre til piratkopiering" in Aftenposten 030411

<sup>28</sup> Original quote in Norwegian: "Vi er skeptiske til å trekke inn bransjeeksterne aktører, og mener at distribusjon av e-bøker er noe som bør beholdes internt i bokbransjen" (Dagens Næringsliv 011208).

<sup>29</sup> Original quote in Norwegian: "Vi leker tross alt ikke butikk når det er de amerikanske teknologigigantene med Amazon i spissen som står på andre sida, da slåss vi" (Klassekampen 010411).