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## **Associations in the creative industries as operators of digital platforms: ‘failure factors’, with an example from the German book industry in the focus**

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### **Abstract**

The specific economics of platforms provide an ideal situation for new entrants to national digital cultural markets, also for entrants from abroad and/or from a different industry. In situations like this, incumbents in SME-dominated cultural industries often look for support – typically first of all with the state. Since support from this side is often problematic, sometimes legally outright impossible, associations of cultural industries under pressure are often seen as alternative top-level actors to stand in for manifest interests of the enterprises.

I will focus on the situation on the German book market in the late 2000s, when Amazon developed into the dominating ebook distribution platform. Since this threatened to kick national actors, typically SMEs, out of the ebook distribution business on the long run, the Börsenverein des Deutschen Buchhandels, the industry association, set up a competing platform. This attempt failed. Mainly based on witnesses, I will sketch the history of this project and try to distill some of its ‘failure factors’. Moreover, I will triangulate the corresponding findings by looking at two similar attempts by associations, Phonoline and MO3T. Finally, I will present an unintended, but very successful late effect of failed ‘Libreka!’, the Tolino Alliance.

### **Introduction**

The wider context of this contribution is the discourse on digital platforms in the cultural industries. The platforms in focus here, most of them in essence ebook ecommerce sites, are probably rather not ‘European Platforms’ in the sense of the Creative Europe programme of the European Commission which supports activities “for cultural operators promoting emerging artists and

stimulating a truly European programming of cultural and artistic work”<sup>1</sup>. According to economics categories, they are platforms, however. To be exact, they are platforms with cross-sided network effects, because they – beyond just acting as merchants – “follow the logic of a triangular affiliation: they create value by facilitating interactions between seller[s] and customers affiliating with the platform. Their utility is affected by participation and usage on the opposite side of the market.”<sup>2</sup> Also according to Ballon, Cremer and Hoelck and as we will discuss in more detail in the following, “platform companies profit from cross-sided network effects which lead to increased market concentration (winner-takes-it-all dynamic[s]) and high entry barriers (chicken-and-egg effect).”<sup>3</sup>

Making use of the latter with their specific assets and competencies (see below), US ITC and media companies have realised their potential to dominate the distribution of digital media – from books to music and films – also trans-nationally. With respect to the case of the book business, there is no point in fogging the fact that we are talking about Amazon here. In this contribution, I will focus ebook distribution platforms in Germany, where this is also the case (but exceptionally only by a small margin, a fact that will be dealt with at the end). These global ITC and media companies have specific competitive advantages, some of which have to do with size. Since the book and other media markets (not least in Germany) had been dominated by (in the given case mostly SME) companies until very recently, these companies, the incumbents as we could call them following the discourse on disruptive innovations, also seem to have their assets and competencies. The point of departure here is therefore the question, why the SMEs in the German book industry did not succeed in at least retaining considerable market shares in ebook distribution by joining forces and, by this, levelling the size disadvantage of every single company. With respect to such a joining of forces, approaches that are moderated or, more than that, entrepreneurially taken responsibility for by the corresponding industry association are an obvious case. Considering the German book market, this is particularly interesting, since concerted (book) association action in the face of –already then! – Amazon has a history: the German book industry had to think about ways to prevent Amazon from emerging as the dominating online bookstore (for physical books) in the late 1990s. Mainly because of different interests within the association, the Börsenverein des Deutschen Buchhandels (in the following: Börsenverein for short), the association of German booksellers, book wholesalers and

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<sup>1</sup> European Commission (Ed.), *European Platforms*, [https://ec.europa.eu/programmes/creative-europe/culture/european-platform-projects\\_en](https://ec.europa.eu/programmes/creative-europe/culture/european-platform-projects_en), 24.04.2017.

<sup>2</sup> Ballon, Pieter; Cremer, Stefan; Hoelck, Katharina, «Cross-Platform Effects. Towards a Measure for Platform Integration Benefit», paper presented at the 14th international Open and User Innovation Society Conference (OUI), Harvard, Boston, in *Social Science Research Network (SSRN)*, Rochester, New York, Elsevier, 2016, p. 5.

<sup>3</sup> Ballon, Pieter; Cremer, Stefan; Hoelck, Katharina, «Cross-Platform Effects. Towards a Measure for Platform Integration Benefit», paper presented at the 14th international Open and User Innovation Society Conference (OUI), Harvard, Boston, in *Social Science Research Network (SSRN)*, Rochester, New York, Elsevier, 2016, p. 1.

publishers, the result then was a somewhat undecided 'platform'. This was based on the comprehensive database of all German-language books on stock (or in print, respectively), i.e. essentially a digital book catalogue. buchhandel.de, as it was called, allowed the ordering of books from this database, formally with wholesalers. A brick-and-mortar bookseller of choice had to be specified from a list of participating enterprises by the customers; this bookseller got a percentage commission for the purchase otherwise completely fulfilled by the book wholesaler. In early 2017, this service has been discontinued as a somewhat distorted book ecommerce site that could less and less offer a competitive alternative to Amazon; it continues to be operational as a database for information about books in print, however. Picking up the track from there in the early 2010s, I will analyse the attempt of the Börsenverein to bring together the strengths of organized German book enterprises to build a serious competitor to Amazon's ebook distribution business in Germany. As we will see, this did not work out in the end, either – at least not immediately and in the framework chosen. To give this first analysis a degree of generality, I will flank it by analyses of similar attempts in another media industry and in another country – and by taking up a lateral long-term effect of the efforts of the Börsenverein.

The special aspect in focus – the attempts of SME incumbents to join forces to compete an international ITC / media entrant in a media industry – has not been covered in research so far, neither in business studies nor in book / publishing studies, the discipline the author comes from. What I will do to open this problem up for further research by presenting and analysing a few cases, with the German 'Libreka!' project by the Börsenverein in the centre. Based on interviews with people involved in this endeavor (and its preceding and succeeding projects), I will try to find out, what the reasons might have been that it did not work, to identify the failure factors so to speak. Likewise built on expert interviews, I will triangulate the corresponding findings by looking at similar cases, changing single dimension each time; I will look at a German association platform project in another media industry (namely music) as well as a platform project in the book industry in another country (namely France). I will also show, in which way what had been intended by the Börsenverein – to set up a serious German competitor to Amazon's ebook distribution business – materialized many years later, but differently in some respects. To put this together, I have conducted conversations with senior figures from the European and International Booksellers Federation (EIBF; Françoise Dubrulle), the Börsenverein des Deutschen Buchhandels (Dr Kyra Dreher), the Bundesverband Musikindustrie (BVMI, the German music industry association; Dr Florian Drücke), the Tolino Alliance (Klaus Renkl, Maura Zaccheroni) as well as with former protagonists of expired MO3T (Pierre Geslot) and (Volltextsuche online /) 'Libreka!' (Matthias Ulmer).

## **The Situation on the Transforming Book Market in the Late 2000s, from the Perspective of the Incumbents**

The general situation on the German book market is – and has been for a while – characterized by expectations regarding and preparations for a largely digitized book economy and book culture on the one side and at least the superficial impression that a large part of the business is still running in a more or less unruffled manner on the other. Taking a closer look, the latter is true insofar as people in many segments (other than particularly scholarly publishing and genre fiction) read printed books at a share of well beyond 90% – and that general reading patterns have not changed much in the recent past, either. The superficial impression is not true, however, when it comes to distribution matters and in particular to the role of brick-and-mortar bookshops: Amazon without any physical outlets is in the meantime Germany's dominating single bookseller. And this is particularly worth mentioning, since Amazon is also the dominating bookseller in many other countries – and since it is the dominating distributor for ebooks by an even greater margin in almost all countries in which it operates. The latter fact is relevant even if the relative share of ebooks might still be comparatively low in some markets (including Germany).

Apart from a few publishing houses, Germany's book industry is not only traditionally rather diverse and characterized by SMEs (small and medium enterprises), even most of the currently largest publishing groups (as well as e.g. the largest bookselling chain) are family-owned, not rarely even family-managed. Beyond general trends like globalization and concentration, this traditional structure is specifically exposed to – as it seems – irreversible trends to online shopping as well as, lagging somewhat behind, to digital reading. To make use of the corresponding market opportunities – doing e-commerce of physical as well as building and maintaining an ereading 'ecosystem' from download services to devices for digital books – requires high managerial and technological expertise and experience and hence ultimately appropriate financial resources. The obvious long-term growth prospects and a number of fitting competencies and assets on their side attract new entrants to this market in transition. When it comes to financial resources, these new entrants – typically larger companies – have a considerable competitive advantage. If they had been active in related fields (e.g. e-commerce with other goods, particularly other digital media), possibly on other national markets, before, they might have also technological advantages (economies of scope). The relative complexity as well as the idiosyncrasies of the German book industry as well as book market cannot be considered altogether insuperable, so that the incumbents cannot rely on the path-dependency of the core assets and core competencies that had made them successful over many years before alone. Tying up with what had been said about platforms, there is the relevant business studies insight that, once implemented with a sufficient degree of visibility (which is not least the result of [intelligently used] funds [and a determined course of action]), such a platform can service more and more customers (and suppliers !) without a proportional increase of efforts. This is an extreme instance of economies of scale. And it is this what causes what

sometimes is called a 'winner takes all' situation – an opportunity deliberately striven by early entrants. This effect – with high entry barriers as a further consequence – is even stronger, if, beyond service quality issues of different kinds, actual lock-in effects – e.g. with the help of non-interoperable (e.g. ebook) formats – hold or are deliberately induced. These lock-in effects make it difficult and/or costly for customers to change to other providers for technical reasons.

To put the situation in a nutshell: there are valid analytical reasons for the incumbents on the German book market to have been worried at the time (and to a certain degree to be still worried) about Amazon's (and other company's like Apple's) activities in ebook distribution. This is particularly true for the booksellers and the small and medium enterprises among them. And they (like most incumbents on any market under new entrant pressure, to be fair) were pretty outspoken about not being amused about these new competitor or competitors, respectively: their business seemed to be at stake. (Understandably, the incumbents did not reflect much about a responsibility for possible wrong business decisions in the past at this point ...)

At least when it comes to Germany and to books, then these incumbents have another, seemingly less self-interested argumentative register as well as legitimization to ask for public support at their disposal: many intellectuals and politicians occupied with cultural matters express fears regarding severe negative effects of yet another marching-through of a big US company. In these covens, books are seen as essential to the cultural identity of the country, hence the national book 'infrastructure' – to which ebook e-commerce platforms obviously belong – gets an surprisingly high significance. Major changes to this infrastructure might always put the discoverability, the diversity, the 'quality' of the book / literature supply in the country at stake – particularly, if companies from abroad are involved.

### **Some Relativising Business Studies Insights and Positions**

The initial situation as described can be put in general terms, as I have done above: (a) new entrant(s) to an industry with specific competences and assets compete(s) primarily SME incumbents, in this particular instance: Amazon competes (and threatens to dominate) SME brick-and-mortar booksellers in ebook distribution in Germany.

This contribution does not have to take a stand with respect to the allegedly detrimental effects of a dominance in ebook distribution on other stakeholders or in aggregate – it suffices to see that the business interests of the incumbents are obviously attacked. The contribution does not have to assess the adequacy of a national legal framework with respect to such a situation, either. It is illustrative and, particularly compared to the German book industry discourse, to a certain degree eye-opening, though, to see that in a comparable situation in the US, namely in the face of the growth and likewise evolving dominance of home grown Amazon, the tone is – compared to German and, more generally, European reactions – irritatingly unagitated.

Scholarly US economics do take closer looks at markets in transition also in a state, where there is a clear dominance by Amazon, but at least often take decisively non-alarmist positions. Before I will present and analyse cases, where SME enterprises have joined forces as an or under the umbrella of an industry association, I will present some of these relativizing scholarly assessments from the US.

A first position that runs against snappy popular analyses (certainly in Europe) as brought forward by US economists is that the pressure from other current developments on the book trade, particularly the independent book trade, might in the end be stronger than the one by online bookselling. There are, however, also European scholars that do not see technological developments as the single drivers of the transformative impact on the book publishing industry, either. Thompson for example subsumes the non-technological forces under the notion of economic turbulence and exposes: "[B]ooks and the publishing industry do not exist in isolation: they are, and always have been, part and parcel of a broader symbolic and information environment – in short, a culture – where they have for half a millenium played an important, even vital, role as material forms in which content can be embedded, packaged and communicated to others. But here are signs that the specific combination of economic turbulence and technological upheaval that can be seen throughout the creative industries today is beginning to have a serious, potentially transformative, impact on the book publishing industry too."<sup>4</sup>

A second group of somewhat counter-intuitive insights (from a European perspective) is that the low prices for e-books intended by Amazon<sup>5</sup> are analysed as not being designed to foster e-reader sales, as one could imagine, but – as the example of Amazon's pricing strategy referring to printed books in the US would show – to bring people to Amazon's website to buy all sorts of products. Gilbert says: „It is in this respect that Amazon operates a platform market, choosing low e-book prices to maximize total transactions on the Amazon.com platform.“<sup>6</sup> (Please note that this is not the elaborate platform concept I am using here, following Ballon et al.) Moreover, more topical and also e.g. by Gilbert, doubts are expressed, if the intended low prices for e-books (see above) in general and hence low revenues for publishers indeed leave „less for publishers to offer as royalty income, as well as to fund promotions and to retain profit“<sup>7</sup>, with a detrimental effect on diversity and quality.

Even the consequences of Amazon's proprietary, non-interoperable ebook format with its effective lock-in is not seen critically: again according to Gilbert,

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<sup>4</sup> Thompson, John B., *Merchants of culture: The publishing business in the twenty-first century*, Second edition, New York, New York, Plume, 2012, p. 398.

<sup>5</sup> This is of course only possible on markets without a fixed book price.

<sup>6</sup> Gilbert, John K., «Helping Learning in Science Communication», in *Communication and engagement with science and technology: Issues and dilemmas*, ed. by John K. Gilbert & Susan Stocklmayer, New York [etc.], Routledge, 2013, p. 165–180, p. 172.

<sup>7</sup> Gilbert, John K., «Helping Learning in Science Communication», in *Communication and engagement with science and technology: Issues and dilemmas*, ed. by John K. Gilbert & Susan Stocklmayer, New York [etc.], Routledge, 2013, p. 173.

the format-based lock-in has no negative effects on customers, since they can and will act correspondingly<sup>8</sup>.

It is no surprise that even concerning the wholesale / agency model row after which Amazon (and other ebook retailers) were forced to price the ebooks as determined by the publishers (agency model) as opposed to following their own considerations (wholesale model), there are views that are not in line with the perception prevalent in Europe. This change had an effective price increase as a result and made it impossible for Amazon to use strategically low prices [see above]. According to these views, the price increases observed after the introduction of the agency model might not be the effect of the model change at all, but rather one of the generally increased competition on the e-reader market, with effects on the market for materials to read, e.g. as a consequence of the introduction of the iPad in this period.<sup>9</sup>

As I have said in the introduction, we are picking up the trail for this contribution in a situation in which Amazon is gaining a dominant position in an evolving ebook (and ebook reader) market. Amazon's dominance in the ecommerce market for physical books is at that point in time a fact – and other Amazon strategies lie in the future. With respect to the latter, it has to be said that Amazon's recent backward vertical integration into publishing, not least by offering services for self-publishing, is seen as potentially detrimental to diversity and quality even by US economists<sup>10</sup>. Even Gilbert expresses doubts, if the effect that retailers typically concentrate on marginal, price-sensitive customers (without more specific quality expectations) is particularly bold in the case of Amazon (as opposed to genuine publishers).

Notwithstanding all this, Amazon – here particularly in its role as dominating ebook distributor with a proprietary ebook ecosystem – is seen as a real threat to the options to extend the customer-relations of brick-and-mortar booksellers (of any size, really) into the digital in Germany and other European countries. By this, it is not only seen as the effect of a possibly unevitable economic transformation, but treated as an attack on the book infrastructure.

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<sup>8</sup> cf. Gilbert, John K., «Helping Learning in Science Communication», in *Communication and engagement with science and technology: Issues and dilemmas*, ed. by John K. Gilbert & Susan Stocklmayer, New York [etc.], Routledge, 2013, p. 170/171. With what Rothlauf and myself had argued in: Bläsi, Christoph; Rothlauf, Franz, *On the interoperability of ebook formats*, Brussels, European and International Booksellers' Federation, 2013, the weak empirical basis of Gilbert's claim might give rise to doubts concerning Gilbert's account at least in this case.

<sup>9</sup> cf. Gaudin, Germain; White, Alexander, «On the Antitrust Economics of the Electronic Books Industry», DICE Discussion Paper, No 147, Düsseldorf, Düsseldorf Institute for Competition Economics (DICE), 2014, p. 22.

<sup>10</sup> cf. Gilbert, John K., «Helping Learning in Science Communication», in *Communication and engagement with science and technology: Issues and dilemmas*, ed. by John K. Gilbert & Susan Stocklmayer, New York [etc.], Routledge, 2013, p. 174/175.

## **“This is a Necessity of National Culture”: From a Usual Reaction Patterns to Associations as (Would-Be) Equal Players**

Referring to specifics of platform economics as I have mentioned them in the introduction, the impending or actual dominance of a platform cannot only be explained by the fact that, as an outcome of competition, the best offer in the market has prevailed, but that it is the consequence of a particular economic logic.

It is true that as a consequence of this perception typical patterns of European book nations can be observed in the first reactions of the SME incumbents. If the national book infrastructure can with a certain degree of consensus be described as endangered (see above), analyses like the one that the market – in this new situation – is no level playing field (any longer) suggest themselves. As a consequence, it can be proposed that this level playing field has to be (re)effected by means of regulation. The position that the book segment should be protected from market forces (more, e.g. beyond a fixed book price) in the first place goes somewhat further – also with the suggestion that there should be more regulation, i.e. new or modified statutes (or stricter enforcement of the existing law, respectively).<sup>11</sup>

Since in the situation presented it got clear very soon that further legal protection against Amazon, so to speak, could not and cannot be expected – the value of unclouded economic relations to the US and EU trade frameworks were stronger than the power of politicians who concern themselves with cultural policies. Therefore alternative strategies came into the focus. If legal measures are no option and each SME incumbent realistically does not see itself in a position to confront the new entrant(s) with a competitive service on its own, but wants to stay in business, then there is the obvious option to join forces. Existing networks of enterprises are possible cores to start from. The most general ones of such networks are industry associations; they in particular can not least provide necessary administrative structures, lobbying pressure, etc., at least for the start. And in fact, SMEs joining forces to confront new entrants can be observed in the media industries on occasion – some of them work, many do not. The problem this contribution is up to discuss is, in how far entrepreneurial activities by associations can achieve their goals and what makes such activities work – or fail, respectively. I will describe the joining forces strategy in the form of case studies and try to distill failure factors out of these case studies.

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<sup>11</sup> The latter (asking for law enforcement) is a line that is followed by the Börsenverein e.g. in the case of Amazon as a bookseller in general, referring to statutes of the competition law. The European and International Booksellers' Federation approaches the problem on an even more general level, the one of the corporation as corporation, and banks on changes in the law or a stricter law enforcement, respectively, referring to tax avoidance on the side of Amazon.

## Case Studies

### **Case study 1: 'Volltextsuche online' / 'Libreka!' (2005-2012/2015/...<sup>12</sup>)**

The history of this (consumer) ebook (distribution) platform (that's what Libreka! was at least at its heydays) provided by the Börsenverein on behalf of the German book industry goes back to the time before a considerable market relevance of ebooks. The original cause for the German book industry to device something on its own were Google's and Amazon's elaborated search functions on their massive book-related data, Google Book Search and Amazon Search Inside. It was considered not acceptable in the early 2000s that the obvious gatekeeping function in the form of search results and search result ranking was fulfilled by large foreign companies from a different culture. One challenge occasionally referred to is the correct sorting of German words with Umlauts .... A particular problem was seen in the fact that the mechanisms applied by Google and Amazon were non-transparent to and uncontrollable by national stakeholders. The original idea by the German book trade was to provide a consolidated machine-readable index of German book data that would allow 'book-adequate' web searches; this index was to be made available to all search engine operators and to be implemented by a jointly commissioned technology partner. The project was managed by the MVB, the service business subsidiary of the Börsenverein. As ebooks became a trade reality, the concept of 'Volltextsuche online' (VTO, 'fulltext search online', as it was consequently called in the beginning) – to provide an index – was changed to be (also) an ebook platform in approx. 2006, under the name of 'Libreka!' (a name developed from ancient Greek 'heureka' for "I have found" and Latin 'liber' for "book": "I have found a / the book"). Since this undertaking was not as successful as desired and did not reach a satisfying market share, 'Libreka!' withdrew from the customer business in 2012 and was rebuilt as a b2b e-book aggregator that distributed ebooks from publishers to various ebook platforms. This last evolution stage was finally sold off to a company called Zeilenwert, where it still operates.

According to Matthias Ulmer, the former head of the 'Volltextsuche online' / 'Libreka!' project group in the Börsenverein, the initial idea to provide an index failed because of the lacking interest on the side of the search engine operators; among them, only Google had shown a certain degree of interest. As an ebook platform, the next stage, 'Libreka!' in particular did not succeed in becoming a serious competitor to Amazon's ebook business. The reasons for this as given by Matthias Ulmer were that large booksellers were concerned about their competitive advantage opposite small ones, when it came to endow 'Libreka!'. 'Libreka!' would have made them (only) equal with respect to findability, ease of use, etc. And most publishers – as mentioned members of the same association – were in the so-called 'frenemy' trap: Amazon was an important customer of not least their portfolio of physical books and to confront Amazon would have required considerable courage. The latter two

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<sup>12</sup> Depending on the fact, if the activities as a consumer ebook platform (until 2012), the involvement of the Börsenverein (until 2015) or the activities as such (ongoing as a b-2-b ebook intermediary) are considered.

reasons, clashes of interest within the association – are typical particularly in large associations and in associations that are cross-sector and their membership is very diverse with respect to size, as this is the case with the Börsenverein. Moreover, again according to Matthias Ulmer, favouritism in the course of the project implementation was a problem – instead of the company originally chosen as the technology partner for fact-based good reasons, the job was ultimately given to the ITC subsidiary of a large German publishing group. And, last but not least, the e-book business development was flatter than expected what took away some of the urgency of the endeavour.

From a more distant point of view in time, it can be said that the attempts of the association were not completely in vain. If just developing a serious (national) competitor to Amazon is what had to be achieved and it is being abstracted from the requirement that the association as association (with all its members) is the force behind it, then the Tolino alliance (see below) which can be seen as a sort of a long-term effect of 'Libreka!' – did achieve quite a bit of what had been aimed at by way of 'Libreka!'.

To be able to possibly identify similarities and invariants, I have included two 'lateral' case studies that differ from my focus (association activities in the German book trade) in one dimension each. The one (Phonoline) concerns the German music industry, the second (MO3T) the French book industry.

#### ***Case study 2 ('lateral': not related the book trade): Phonoline (2001-2004)***

The challenge to the German music industry as a result of digitization happened earlier and was more existential than worries concerning detrimental effects of the selection and ranking of search results in the book industry from the start. There was wide-spread digital music piracy (e.g. using Napster) – and no considerable alternative legal offer to download digital music. The idea then was a joint legal digital music offer by all German record labels, organized by their association, the Bundesverband Musikindustrie (BVMI, Federal Music Industry Association). Technology partner was Deutsche Telekom, the formerly state-owned and still largest German telecoms operator. Not accomplishing to make illegal music downloads history completely, Phonoline (especially under its consumer brand name Popfile) – was initially a success, in fact it was, on a rather modest absolute level, the German market leader until the advent of Apple's iTunes ! Following that – in the same year ! –, it was essentially merged into Deutsche Telekom's Musicload service, Deutsche Telekom's own competing German offer to consumers, and finally sold to Dixero. Ther it still operates, but with a negligible market relevance.

According to Florian Drücke, the current chairman of BVMI, Phonoline did not succeed, because the technology was not good enough compared to the new competitor and there were legal problems with the rights holders. Both contributed to the late start after many years of preparation.

**Case study 3 ('lateral': not German [and not association-triggered ...]): MO3T (approx. 2013-approx. 2015)**

As we have seen, the initial reaction of the German book trade association was originally triggered by a challenge that arose before the threat of Amazon as an ebook platform, namely Amazon's and Google's search power. Interestingly, in France, the trigger for national action was a challenge after the threat of a market-dominating ebook platform as such. Amazon was not the only ebook platform any longer – in fact, the triggering challenge was a challenge that can only arise when there is more than one ebook platform. It was e-book interoperability hurdles caused by different ebook formats used by platforms competing (also) on the French market. There were Amazon's kf8, Apple's iBooks format and there was EPUB, to name the most important ones<sup>13</sup>. Amazon's and Apple's customers were locked-in in the ebook platform they had chosen for their first ebook purchases or – if they had chosen to buy ebooks on more than one platform – they could not use the ebooks acquired in different shops in a seamless manner, e.g. with respect to a common virtual bookshelf. The original idea of MO3T, a state-supported consortium of publishers, online booksellers, distributors, technology providers and Telecom companies, was to separate the right to use an e-book and the price paid for this right (fixed book price !) on the one hand from the actual delivery of the e-book file, a chain of bits and bytes, in a certain format to a certain device on the other. Once a customer has bought the right to use a certain content as an ebook (type – my word), he or she should be entitled to download it in the format(s) he prefers in a particular situation (token, again my word).

The (over-)complex project never reached an operational stage, 'faded out' without a defined close and was not heard of after 2015. According to Pierre Geslot, the reasons for this were the falling out of the partners (which were very different in nature), a too ambitious concept (that should have covered a whole range different business models, including e-lending) – and again a flatter than expected ebook business development.

**Case study 4 ('lateral': later, not association-triggered): Tolino Alliance (approx. 2012-2017/...<sup>14</sup>)**

That there has been – and in a wider sense there still is – a serious competitor on an equal footing with Amazon as an ebook platform in Germany – after 'Libreka!' had failed – is a remarkable fact. A fact, however, that has to be talked about in the past tense now, since the Tolino Alliance is not any longer an independent German alliance: Japanese-Canadian Rakuten Kobo has taken over the technology role in the consortium from Deutsche Telekom in early 2017. It is interesting to know here that Rakuten Kobo does not only follow a

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<sup>13</sup> For more details on the interoperability issue cf. Bläsi, Christoph; Rothlauf, Franz, *On the interoperability of ebook formats*, Brussels, European and International Booksellers' Federation, 2013.

<sup>14</sup> Depending on the fact, if the control of solely German companies (until 2017) or the activities as such (ongoing) are considered.

likewise open, EPUB-based approach as 'Libreka!' did as an independent company, but that they have their reading devices manufactured by the same Asian vendor as Deutsche Telekom had previously for the Tolino Alliance.

That the Tolino Alliance came about in the first place is, that's how witnesses like Klaus Renkl have analysed it, a coincidence of two independent developments. On the one hand, large booksellers that had observed and, as some say, contributed to the failure of 'Libreka!' were looking for a technology partner to have another go (on their own) on competing Amazon's integrated activities in ebook distribution, the Kindle ecosystem, which comprises devices and an ebook platform. On the other hand, Deutsche Telekom had developed – in a cooperation with Axel Springer, a major German newspaper and magazine publisher – a technological solution to distribute digital newspapers and magazines, an e-kiosk solution basically, called 'PagePlace'. A somewhat half-hearted attempt to use this common solution also for e-book retailing by Axel Springer and Deutsche Telekom had failed. Bringing together these two developments, the then largest three book retail chains (Thalia, Hugendubel and Weltbild), the Bertelsmann Club (a book club) on the industry side and Deutsche Telekom on the technology side formed a consortium. This consortium was later joined by additional top-level members, namely Mayersche and Ossiander (regional book retail chains of considerable size) and particularly Libri (one of the two main book distributors / wholesalers). Established customer relations as well as relations to publishers on the supply side were seen as the assets of the books retailers to contribute to the consortium, a working e-commerce platform as well as a cloud solution and the assets it needs to develop (and produce or have produced, respectively) reading devices as the ones of Deutsche Telekom. That an open system (based on the EPUB standard) should be developed and that the competition also between the participating book retailers should be retained in the ecosystem were agreed principles. The first idea with respect to the specification of the reading device was an Android-based device (to be developed by Deutsche Telekom).

At the time, when Rakuten Kobo joined the Tolino Alliance (taking over Deutsche Telekom's part as the technology provider), in early 2017, the idea had been extended from large book retail chains to independent booksellers with the help of a white label ebook platform solution that is being provided by Libri as a sort of an umbrella provider. This option is made use of by approx. 1500 out of the approx. 4000 independent booksellers in Germany. The alliance had sold approx. 2 million devices by late 2016, had approx. 5 million customers, still a two-digit growth rate in e-book sales – and (2016) an e-book market share of around 42% in Germany, compared to Amazon's 44%, a worldwide unique achievement. The Tolino Alliance was at that time in one form or the other also active in Austria, Switzerland, Belgium, the Netherlands and Italy. Coming back to the focus of this contribution, one has to ask, why the Börsenverein, the brave, but unsuccessful initiator of 'Libreka!', did not join the alliance with its members, mainly on behalf of the small ones (most of the large ones were participating already anyhow), at least at a later stage. From the perspective of the Börsenverein, the payment share for the

investment asked for by the existing consortium members up to a possible point of entrance and the reserve liability were seen as not affordable or too risky for the association, respectively. From the perspective of the original consortium members, the decision processes on the side of the Börsenverein (which, as mentioned, is not only an association, but an association with very diverse members) were expected to be too complicated and too lengthy to successfully operate on a fast-moving market. The latter set of reasons is the common assessment of Klaus Renkl from Deutsche Telekom / the Tolino Alliance and Matthias Ulmer from the Börsenverein / 'Libreka!'. The mentioned participation of independent booksellers through Libri's white label solution is a sort of a work-around of the failed integration of the Börsenverein, bypassing it.

## **Conclusion**

Even if the sober account by US economists is accurate and the positions of digital media distribution platforms run by US technology and media companies (and Amazon as an ebook distribution platform in Germany) are not (quasi) monopolies or a fundamental economic threat of another kind in the strict sense of economic reasoning and according to law as it is in force in the countries involved, they certainly are an immediate and existential threat to incumbents in the particular industries. And they might be considered as a danger to national cultural infrastructures. A joining of forces of the SME incumbents, organized and possibly entrepreneurially led by industry associations, seems to be an obvious and viable counter strategy in such a situation. Many of the corresponding attempts fail; interestingly, I do not know of cases where this was caused by restrictions in the competition law. The reasons for the failures of these projects must therefore be different.

Mainly from interviews with people directly involved with national associations, association-triggered or association-supported consortia, etc. I have distilled the following hypotheses for reasons that these projects failed:

- In associations, one often finds very complex arrangements of – partly outright opposing – interests on the part of the member companies. These conflicting interests can e.g. be the consequence of size differences with effects e.g. on the ability to deliver, of stronger or weaker 'frenemy' conflicts with the entrant to be attacked or of differences with respect to the position in the value chain. Such conflicts might compromise a consistent strategy and a whole-hearted commitment – and they certainly slow down decision processes.
- Often in combination with the former, the inability to leave past experiences, personal incompatibilities and established competition relations behind for the greater good is a great barrier for collective action. This has the same consequences of the former in principle.
- Even if small and medium-size companies join forces, the project will still be large projects if they are intended to compete with what a large new-entrant competitor offers. Since neither small and medium-sized

companies nor typically associations have competences and experiences in running large-scale projects – and often resist from asking for help from outside – , the unprofessional handling of service partners and of technological issues of such projects pose a real threat. In connection with that, underestimated complexities and hence efforts lead to further wrong decisions.

This analysis is sobering particularly in the respect that these reasons, incrementally less so from the top to the bottom, are more or less inevitable consequences of industry associations with SME members, certainly for the case of the complex and diverse German book industry with its long history. Not much can be done about them. Proficient project management and possibly mediation competences, however, might have positive effects, increasingly less from bottom to top.

To broaden these results in scope and, by this, make them more universal and also to make them more robust, further oral history interviews, a working-through of b-2-b magazines etc. of the time and of relevant archives (e.g. the one of the Börsenverein) will be challenging tasks for the future.

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