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Conditions and Survival: Views on the Concentration of Ownership and Vertical Integration in German and Swedish Publishing

Anna-Maria Rimm

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Abstract This paper compares publishing in two European countries with fixed respective free book prices: Germany and Sweden, when it comes to the phenomenon vertical integration. Concentration of media ownership is a central issue in today's global publishing industry and large international media groups are consolidating at a fast pace, taking over more and more links in the value chain of books. One of the foremost examples is Amazon—established in Germany and fast expanding in Europe, but not yet present in Sweden. This paper presents a broad overview of the two markets and interviews with several actors in the German and Swedish book trades are analyzed and compared. Amazon's impact on the respective book markets as well as strategies for independent publishers are discussed. The question whether concentration of media ownership in the book trade affects publishing and distribution of “quality literature” is also raised.

Keywords Amazon · Book pricing · German publishing · Marketing strategies · Media ownership concentration · Swedish publishing

Introduction

A central issue in today's global book publishing industry concerns concentration of ownership. All over the world, large international media groups are consolidated at a fast pace and take over more and more links in the value chain of books. This process is usually termed *vertical integration*. An international example is the way distributors, retailers and hardware developers such as Amazon now enter book publishing. At the same time there is a trend among smaller players toward vertical integration. An increasing number of publishers, both large and small ones, are

A.-M. Rimm (✉)
Department of Literature, Uppsala University, Box 632, 751 26 Uppsala, Sweden
e-mail: anna-maria.rimm@littvet.uu.se

beginning to sell their books directly online and market themselves through interaction with customers on social media. The method is economically advantageous as it reduces the number of middlemen and the expenses that they incur.¹ The situation is similar in many Western countries and is becoming a more and more burning question, primarily because of the global expansion of Amazon.²

In the present text my aim is to explore the way actors in the book publishing industry in two European countries, Sweden and Germany, regard the issue of vertical integration. The reason why it is interesting to study markets outside the Anglo-American context is that the development there still lags behind. The view of literature as a commodity, bookselling and reading traditions, and the spread of e-books are also different than those found in the US and UK.³ Will Europe meet the same fate as the US, for example when it comes to the dominance of Amazon? However, Europe is large and full of differences. German and Swedish book publishing has many features in common, but there are also a number of conditions that are different, in terms of cultural policy, ownership patterns, free and fixed book prices and the position of Amazon, which is established in Germany but not yet in Sweden.

In the book trade many—both large and small publishers and booksellers—believe that vertical integration creates private monopolies, restrains competition and skews prices. It is supposedly barring smaller players from reaching out with their products, which by extension leads to bestsellerism, cuts back the range of published books and reduces what many people call “literary quality.” Concentration of ownership in book publishing is also important in another central way: vertically integrated publishers have an advantage in terms of the information they have access to by being able to control and collect metadata. Those who have many channels in the value chain—publishing houses, technical platforms/units, physical and online bookstores, distribution, book clubs, and in some cases even television channels, magazines, and newspapers, have extremely big advantages in this regard. Metadata and information about customers have long been central in the publishing world, but their significance have increased enormously with the digital development, which has led to radically changed business models and opportunities to collect information about consumers.

This study is comparative and based on qualitative in-depth interviews with comparable trade representatives from Germany and Sweden. Generally speaking, does vertical integration affect market developments? Is it a problem? What strategies do independent publishers use in order to survive in a market dominated by a few large publishing groups? How are fixed book prices regarded, which were abandoned in Sweden 40 years ago but still exist in Germany? How is global giant Amazon regarded, which is expanding in Europe at a fast pace?

¹ Bohlund and Brodin [5].

² Doyle [7], Nolan [10], Steiner [16: 90].

³ Interview with F and G—both German trade journalist of American and British extraction respectively and with experience of work with American publishing houses and agencies.

Method

Seventeen people were interviewed, eight from Germany and eight from Sweden, in addition to a representative from EIBF, the European and International Booksellers Federation. The respondents have been anonymized. The interviews were made in the period February 2012–October 2013. The respondents have been selected so as to make a comparison between the two countries possible. They represent publishers of various sizes, trade associations and journalism. The method I have used is semi-structured qualitative interviews, since I am interested in their personal experiences and views of themselves, which is hard to measure in questionnaires where questions have a tendency to become objective statements.⁴ The publishers I focus on publish general interest books; publishers that only do textbooks and teaching aids, for example, have been excluded.

When the term “independent publisher” is used in the study, it refers to publishers that are *not* part of a large group of companies or conglomerates and nothing else. Often, the term “independent” is used in both the business and by politicians to refer to small companies that are “creative,” “alternative,” and outside the commercial market. These publishers are considered important creators of diversity. Their cultural capital, to use Bourdieu’s term, exceeds their economic value. Therefore they can contribute a fairly large surplus value to the market, though they only stand for a marginal part of the total sales. Many publishers also use the term “independent” as a positive strategy of positioning themselves by giving the impression that they care more for the quality of their publications than the economic interest. However, I want to underline that I do not use the term “independent” in any evaluative sense in this study.

Respondents

Germany

- A CEO of a small independent publisher with fewer than ten employees. Emphasis on popular literature. A is also active in Börsenverein’s (the German Association of Publishers and Booksellers) committee of independent publishers
- B CEO of a small independent publisher with less than ten employees. Emphasis on poetry and academic literature
- C CEO of a very large publishing house that is part of an international group of publishers since a few years. Diverse publication of fiction, poetry, handbooks, popular literature and non-fiction
- D CEO of a mid-size independent publisher with more than twenty employees. Publication of classics, poetry, academic literature, children’s books and magazines

⁴ Ahrne and Svensson [1], Kvale and Brinkmann [9].

- E Representative of the Börsenverein des Deutschen Buchhandels, the interest organization for publishers and booksellers in Germany
- F Trade journalist and blog writer
- G Journalist, translator, former literary agent and employee at a large international publishing group
- H Publisher at a mid-size independent publishing house with more than twenty employees, specialized in so called “quality literature.”

Sweden

- I CEO of a small independent publisher with less than ten employees, producing general-interest books. Also active in the trade organization Nordiska oberoende förlags förening (The Association of Independent Nordic Publishers)
- J Publisher from a large publishing house producing general-interest literature. The publishing house is part of a large media group. J is active in the trade association Svenska Förläggareföreningen (The Swedish Publishers’ Association)
- K CEO of an independent publisher with less than ten employees, specialized in “quality literature.”
- L CEO of a mid-size independent publisher with less than ten employees, specializing in non-fiction
- M Publisher at a small independent publisher with less than ten employees, specializing in popular literature
- N Active member of Svenska bokhandlareföreningen (The Swedish Booksellers’ Association)
- O Trade journalist
- P Publisher at a large publishing house producing general-interest books. The publishing house is part of a large media group with hundreds of employees

Europe

- Q Representative of the European Booksellers’ Federation

Background

Sweden is a small language area; a small market dominated by Swedish and Scandinavian publishing groups rather than global media companies.⁵ The VAT is low on physical books (6 % in 2013, 25 % on e-books) and the laws on competition are fairly liberal, with free book prices since 1970.⁶ Many in the business mention

⁵ SOU [15: 262].

⁶ Bohlund and Brodin [4: 28], SOU [14: 57].

free prices as one reason why more and more Swedish publishers and booksellers are hard pressed. Among others, the Swedish Writer's Union has expressed this view.⁷ The parties on the book market conveyed the same argument, or perhaps rather the same fear, already in 1970 when fixed prices were abandoned.⁸ Furthermore, the report *Bokmarknaden 2012* (The Book Market in 2012) from the Swedish Publishers' Association's maintains that publishers in countries with free book prices are doing less well than in countries with fixed prices.⁹ They say that though the book prices for the consumers are lower, the downside is large economic losses for publishers and booksellers. The Swedish Booksellers' Association and the Swedish Publishers' Association are two separate organizations.¹⁰

Germany, on the other hand, is the world's third largest book market.¹¹ As in Sweden, VAT on printed books is fairly low (7 % in 2013, 19 % on e-books).¹² The country belongs to the more than 50 % of EU member states that have fixed book prices, which were introduced as early as 1816. The present law, from 2002, stipulates that all kinds of literature, both fiction and non-fiction, must have uniform prices during a waiting period of 18 months after the publication date. The German fixed price law clearly states that its purpose is to protect books as "kulturgode" (roughly "cultural goods"), the broad range of published books and availability for consumers.¹³ Generally speaking, German publishers are vertically integrated to a lesser degree than Swedish ones, at the same time as the global giant conglomerate Amazon is established there, unlike in Sweden.¹⁴ However, Amazon is on its way into the Swedish market and plans to start selling books in Swedish in the first quarter of 2014.¹⁵

Despite Amazon's entry into the German market, independent, physical bookshops remain stronger than in Sweden (F). Fixed prices are often cited as the main reason for this. The cost of books is the same online as in the bookshops.¹⁶ There is a number of really large chain stores—Thalia and Hugendubel, among others—but like in other Western countries they do increasingly badly.¹⁷ As German publisher H says:

It is. . . a question of variety. In Germany, we love variety. That's also the idea of the traditional German physical bookstore. To go to the bookstore you know, meet a bookseller that can recommend something new to you that you

⁷ Andersson [3], Söderlund [13].

⁸ SOU [14: 58].

⁹ Bohlund and Brodin [4, 5: 11].

¹⁰ www.booksellers.se, www.forlaggare.se.

¹¹ [18], Wischenbart [21].

¹² [19].

¹³ Rønning [11: 3, 19], Sich [12: 4].

¹⁴ In the Norwegian report on fixed book prices in 2012, the Swedish book market is described as particularly vertically integrated in a European perspective. See Rønning et al. [11].

¹⁵ Strömberg [17].

¹⁶ DeMarco [6].

¹⁷ Wiese [20: 25].

haven't heard of before, to discover. That's a whole tradition for us, a different approach. The big chains have problems. They have to downsize and they start selling other products, sweets and so on. You can't really fill a big, big shop with books. (H)

Independent bookshops are still numerous and ordering books is fast: as a rule they are delivered within 24 h. Q, from the European Booksellers' Association, thinks that the German book market is well functioning and unique in Europe (Q).

Unlike the trade organizations in Sweden, German Börsenverein des Deutschen Buchhandels includes *both* book publishers and booksellers. The advantage of having only one lobby organization is that they speak with one voice to national politicians, the European Union, etc. This organization simply represents the "book trade." German politicians are said to be uninterested in the internal conflicts of the book trade. But according to a representative of the Börsenverein, conflicts are starting to arise in the organization. For each year, the gap between the booksellers' and publishers' perspectives grow larger: not least because of online commerce and digitization, which has led to more and more publishers handling their own sales, which upsets the physical bookshops (E).

Analysis

Vertical Integration: A Problem?

The majority of the Swedish respondents maintain that concentration of ownership is a major problem. There are a couple of exceptions, mainly among people from the large publishing groups, but some publishers from small publishing companies also find a number of advantages with a system where retailers are co-owned by producers. But the critical remarks dominate. The criticism can roughly be said to concern *availability* (the difficulty of getting one's books into bookshops owned by a competitor), the access to *metadata* for vertically integrated companies, the ability among the giant publishing houses to compete by *dumping prices*, a bad *climate for debate* because of fear of getting on the wrong side of competitors that one is dependent on, and the lack of *cultural policies* that pay attention to these issues. All these factors contribute to the economic uncertainty of independent publishers, something that force them to hire freelancers instead of employing permanent staff—though this is a strategy also used by large publishers (L and P).

To sell one's books to bookshops is seen as a big problem (K and L). The large chain stores have centralized their purchases and there are fewer personal meetings between publishers and local branch stores. Independent physical bookshops, unanimously applauded by all the Swedish respondents and "almost affectionately" described as something they want to stand up for, do not take in large enough quantities to create a profit; and for most publishers the online retailers are the largest customers (I, K and L). The exception is Swedish publisher P, who represents a vertically integrated group of publishers with physical bookshops. For them physical bookshops are their major sales channel. Nor does P think that

vertical integration is a problem in Sweden. For example, authors at P's publishing company often think that they will get better exposure because the publisher and the bookseller have the same owner, but according to P this is not the case. P does not think that it is noticeable that P's publishing company is part of the group that owns bookshops. Similarly, P thinks that the decreasing breadth of titles has nothing to do with ownership structures; instead it is the crisis of the physical bookshops that has led to bestsellerism—they have to focus on safe cards. According to P the big threat is Amazon coming to Sweden (P).

In the same way as Swedish independent publishers have negative opinions of large national media groups, the majority of them are also critical of the climate for the debate in the business, which they see as poor. Discussions easily become “black and white,” when instead both big and small players should consider dynamic solutions and co-operation (I and J). The ceiling is not high enough at the Swedish Publishers' Association when it comes to discussing the concentration of ownership (J). A CEO of a small independent publisher, K, says that “this is very harmful for the business as a whole. Credibility disappears. There is a sense of powerlessness, a feeling that there is nothing to be done about the situation. The only thing that can be done is lobbying for fixed prices or a regulation of the market of some kind” (K). According to K, there is no interest in this issue among politicians, neither from the right nor the left. Trade journalist O and bookseller N agree—when it comes to cultural policy politicians are mostly interested in the reading habits of the general public and VAT levels. Swedish small publisher K says that he, or she, is careful not to express critical views towards competing large publishers since K does not want to get on the wrong side of them. Fear has also made K avoid opening an online bookshop to sell books directly to customers—they do not want to irritate competing large online retailers. “All the time we struggle to be diplomatic in the book trade, in order to retain our credibility both in the eyes of the customers and the business as a whole. One always has to strike a balance” (K).

One problem that publisher I emphasizes is the fact that when bookshops (both physical and online) are owned by publishers, I's competitors get access to I's metadata and sales statistics, while I in turn has no access to the statistics of these competitors. Respondent I regards this as unfair. The lack of transparent statistics is a large problem in the business in general (I). This is a view expressed by both publishers from independent publishing companies as well as people from larger publishing groups and trade journalist O (I, J, N, and O). Publisher L, from a mid-size independent publishing company, thinks that it is a problem that publishing groups have strengthened their hold on online bookshops and thinks that probably they are easily tempted to market their own titles (L). On the other hand, another independent Swedish publisher feels a strong loyalty toward a specific online retailer since it was very helpful when the publisher started (K).

When it comes to the German respondents, a clear majority thinks that national vertical integration is no problem at all. Respondent A, for example, who runs a small independent publishing house and is also active in Börsenverein's committee for independent publishers, thinks that concentration of ownership is not a problem in Germany at present, nor that it affects him or her in any regard—believing that there are other, larger problems for small publishers. B, E, and G regard it as

completely unthinkable that publishers would own bookshops in Germany to any large extent. B and G point to a tradition in the German book trade that publishers and booksellers are separate. This is not due to ideology, but to a long tradition of specialized market economy (B, E and G).

D and H, however, who are both publishers in mid-size German publishing houses with an emphasis on “quality literature,” think that vertical integration is a substantial problem in all free market economies. D says:

...publishing in this capitalistic world is a question not only of quality, but mainly of marketing, money. So, if you have enough marketing money and you have enough bad books, it's of course easy to make a big campaign, sell a “Hundred Shades of Gray” and so on, which means that we are facing really great risks now. First: who's controlling the booksellers? (D)

However, D thinks that American Amazon is the real problem. D and A both maintain that it is completely unrealistic that German publishers would take over bookshops in Germany and that this is due to a longstanding tradition of specialization in the book market (D and A). H agrees: it is unthinkable on several levels, partly because of the tradition, partly because of ideology: “I can't imagine having an agency, a publishing house, a distributor, a bookstore, etc., under the same roof. It is completely unthinkable. These are different sides of the game” (H).

E, who represents the trade organization Börsenverein, and C, who works for a large publishing group, think that everyone should do what they are best at: publishers should publish, booksellers sell books (C and E). However, this does not have to exclude that vertical integration might work—even bookshops owned by publishers can be quite good insofar as they offer a range of titles that produce an economic profit:

I think that you shall always do what you are good at. So if you are a good bookseller, you should always sell the books that have the bestselling potential for good sales' figures. So if there's a bookstore within an organization, whether with an organization such as a publisher or such as a perfume seller, such as Thalia in Germany, these bookshops should be accounted for their results. And they should have a broad variety of good books and bestsellers. And I don't think that they all come from the ones owned by publishers, even if they are market leading with 45 or 50 percent of the market share, so I don't see a problem with publishers owning bookstores. (C)

In line with C's view according to which it is essential for everyone in the business to generate proceeds, he thinks that it would be stupid for German publishers to buy physical bookshops because of their present crisis. There are already a number of very large chain bookshops—such as Thalia, Hugendubel, and Amazon—and it is not realistic to try to buy them or even to compete with them. Moreover, physical bookshops have large economic problems today (C and D). German trade journalist F thinks that in Germany, unlike many other Western countries, among them Sweden, booksellers and publishers cooperate to a larger extent. The internal conflicts are not very many—the main enemy is Amazon. F regards the combined Publishers' and Booksellers's Association Börsenverein as a well-managed and

efficient organization that lack an equivalent in other countries, and thinks that it is thanks to Börsenverein that the German book market works so well (F).

The biggest threat that the Germans see is Amazon (B, C, D, E, F, and G).¹⁸ Amazon's arrival in Germany is regarded as the main reason for the crisis of the once so robust physical bookshops. In this there is also noticeable amount of criticism towards vertical integration in the shape of Amazon as compared to national interests. Independent publishing company CEO D: "In the future, you say that the books are coming from the net—who controls the net?" (D). E, who represents the trade organization Börsenverein and can be said to speak in its own interest to a large extent, is worried about German book customers' not knowing that German book prices are fixed, even those of e-books:

So Amazon is the real threat. The fascinating thing in comparison with other countries that have Amazon is that in Germany, it is all about convenience, because we do have the fixed book prices. You don't get the books for a cheaper price from Amazon in Germany. But it's also because only about a half or a little less of the population know about the fixed prices. It's not just in their mind. They think that Amazon is cheaper. (E)

At the same time, in Germany physical bookshops have traditionally had a high status, distribution is well developed, fast and efficient—as a rule customers get books they order within 24 h from their local bookshop. According to E, the problem is that customers are not aware of this fact (E). Trade journalist G think that the slow progress for e-books is due to the efficiency of the physical bookshops, and unlike other German respondents, G thinks that that Amazon's entry into the German book market is something positive: the company is an innovator and will hopefully kick start the market for e-books (G).

None of the Germans interviewed thought that the climate for debate in the business was bad, which is a major difference from Sweden. However, some criticism from many quarters emerged, claiming that the politicians' interest in the book market is low. In general they are concerned with VAT levels and copyright issues (A, B, C, E and G).

So, do people see any advantages in vertical integration in the two countries? One of the respondents, from a large Swedish publishing group, thinks that vertical integration provides a sense of security to everyone who works in his/her publishing group, even to the authors: the economic conditions become more stable for all parties. They can have a long-term perspective and even publish unprofitable titles (P). Another Swedish publisher from a large vertically integrated publishing house points out that strong owners might be a way of keeping physical bookshops alive, which benefits everyone in the market, not just those who work in the same group of companies (J). But this respondent also emphasizes that vertical integration involve many restraining factors for the business. Generally, the degree of confidence between different publishers decreases (J). A small independent publisher regards it

¹⁸ Interview with B, C, D, E, F, and G. Several Swedes also see Amazon as a great threat, for example L who fears price dumping.

as an advantage that prices are lower for end customers because of vertical integration (K).

None of the Germans interviewed saw any advantages of the concentration of ownership in the book trade.

Measures and Strategies

So we may notice that both the Swedes and the Germans regard concentration of ownership and conglomerates as a problem, though on different levels: the Swedes are generally critical with regard to large national media groups, while the Germans have problems with American Amazon.

Many of the Swedish respondents believe that fixed book prices might be a good solution, though they regard them as unfeasible: “In countries with fixed prices, vertical integration does not exist in the same obvious way, but countries with free prices have a similar situation as we have. But you cannot wind back the clock” (L). Prices have been free for a long time in Sweden and neither politicians nor the Swedish Publishers’ Association are interested in going back to a system of fixed book prices (J, L, O, and P). The book market is believed to regulate itself. Furthermore, respondents J and P (from large publishing groups) think that the fixed prices in neighboring Norway, for example, are too high, something that hurts consumers. On the other hand L, from a small independent publisher, thinks that the expectation that books should be cheap is unfortunate and that perhaps publishers in general should base prices on genre, publication categories and quality rather than on fixed book prices, which are unfeasible, according to L. A “good book” that costs a lot to produce and has a value even as a material artifact ought to cost more than an e-book (L). Even P, who comes from a large vertically integrated publishing group, thinks that free prices have led to books being far too cheap in Sweden and that the downward pressure on prices has increased with online retailing.

All the German respondents agree that fixed book prices should be preserved. Independent publisher A regards fixed book prices as essential: without them publishing houses would not have been able to survive. If free prices were introduced Amazon would become an even greater problem, many think, since then the American could dump the prices (A, C, and F). D and G think that fixed book prices guarantee quality and according to them both large and small publishers in Germany agree: “. . . if you get books in the supermarkets for 10 euro cheaper, the problem is that the bookseller is not living on high quality literature, it’s living on pornography, crime, romance” (D). Similarly even C, who represents a very large international publishing group, favors fixed prices. What C has noticed in free price markets is that the cultural value of books has been depleted when retailers use books as a cheap bait:

...they try to use books like sweets. “Come to our shop, come to our platform, our business model. You can buy Dan Brown or Harry Potter for just 10 dollars, and if we have you as a customer, we can offer you a TV, a washing machine or whatever.” They have great margins on electronics, for

instance. . . So they buy books for ten dollars from the publishing house and sell them for eight. It's a loss, but it's a marketing loss. Why should we waste our culture? (C)

Consequently, fixed book prices promote quality and cultural value, according to C. Swedish L and M agree and point to France and Germany, where the value of literature has not been as undermined as in Sweden and the US according to them. German E, who represents Börsenverein, claims that publishers, booksellers and most politicians in Germany want to keep the fixed book prices in order to protect the market, keep a broad range of published works in stock and avoid bestsellerism. Publisher H regards fixed prices as a “defense” against large global retailers for both publishers and booksellers:

The fixed book prices protect us and are more secure. They help us preserve variety, both for the publishing houses and for the variety of titles. We can publish books that we know won't sell more than 3,000 copies. So we know that when people buy that book, they don't care if the book costs them 21 or 22 euros, so, it kind of compensates for the smaller amount of books being sold. So then, if the big bookstores move in and destroy our model of calculation by selling it for less, that would be very hard. (H)

If one disregards large measures such as laws against unfair trading and fixed book prices, what strategies are available to independent players to move forward in the market? A couple of the Swedish respondents claim that they have used their identity as independent underdogs as an important strategy—at least in order to get into the market (H, K, and M). In particular K, who runs a small book publishing company represents this view, which quite often also implies another strategy—a will to associate one's publishing house with “quality”:

. . . to create a niche market for ourselves has been a good initial strategy to position ourselves. We want to publish quality literature. In the first few years we had very idealistic goals – we wanted to publish books that we thought deserved to be published in Sweden and to become big. There were no compromises when it came to quality what so ever. The books were to be good and hit you in the face when it came to the design. We did very radical covers as a kind of protest against the situation in the market. This got us out to the reviewers. We were cocky. (K)

Swedish publisher L, who is the CEO of an independent publisher with a history that goes further back than K's publishing house, goes in for a more long-term strategy and stable quality, though without a “cocky” attitude and bold brand name.

German A, from a small independent publisher, feels that there are two separate spheres for small and large publishers. The small ones have one market and the large ones another. Swedish L points to the same state of affairs: “we do not fight for giant contracts but want to find the sidetracks in publication” (L). It is clear that the digitization of the market has made it easier for independent publishers and it is possible to compare with Chris Anderson's idea of “the long tail” with specialized, low-selling products (in this case books that are less in demand than bestsellers) has

a total market value that is so extensive that they are still profitable.¹⁹ Swedish P, from a large media group, thinks that niche marketing and the increasing number of small publishers are very good for the book market as a whole and does not want a market with only a few giant publishers like P's own publishing house.

Several of the independent publishers say that they use the strategy of building a strong brand and a loyal customer base who knows them well and associate them with a certain kind of literature (I, K, and L). The image of the publishing house becomes very important. Niche marketing might also come about by co-operations, by a publisher being associated with companies that publish similar kinds of literature and appearing in the "right" connections with others (K and L). Swedish O, who is a trade journalist, has a broad view of both Sweden and the international context, regards niche marketing and positioning as an increasingly evident trend in the global book market. Also P, from a large publishing group, predicts that the brands of publishing houses will be increasingly important for everyone in the future, not least because of the trend of self publishing, in which established publishers have an obvious advantage compared to writers who publish books on their own, for example Kindle authors.

In general, cooperation is a strategy that independent publishers have in common. These cooperative arrangements are either formalized and developed for economic and/or practical reasons, but more informal kinds of cooperation that are primarily aimed at exchanging experience exist in both countries. Both countries also have large organizations for independent publishers: in Sweden, Nordiska oberoende förlags föreningen (NOFF—Nordic Association of Independent Publishers), in Germany, Arbeitskreis kleinerer unabhängiger Verlage (AkV—Association of Small Independent Publishers), a subdivision of Börsenverein. They actively share knowledge and do lobby work.

In this way, small publishers seem *themselves* to be on the way of becoming vertically integrated through increased cooperation, self-publishing, etc.²⁰ Swedish K: "We are starting to think that we cannot influence the vertical integration of the large publishers anyway, but perhaps we can become vertically integrated ourselves—unfortunately that's the way one starts to think" (K). In the same way, Swedish respondent P, who is a publisher within a large media group, points out that cooperative arrangements between P's publishing house and other publishers have deteriorated:

. . . well, nowadays the competition between different publishing houses is fiercer than when I started. There have been a lot of changes over time. Previously people in the business regarded each other as colleagues to a large extent and it was easy to cooperate. Now they regard each others as competitors and that has probably to do with the fact that in the past we didn't compete with each other for the authors, but that was another time with standardized framework agreements. . . there were no literary agents in the

¹⁹ Anderson [2].

²⁰ Interview with M. Even large vertically integrated publishing houses in Sweden cooperate to some extent with other publishers (interview with P).

market and if an author got on well with a publisher they would be hard pressed to move to another one; it was a “gentlemen’s agreement.” (P)

Here a large difference between large publishing houses is noticeable, which are more affected by the emergence of a system with literary agents than small and mid-size Swedish publishers, who are often acting as agents themselves. P does not only think that authors have become more “unfaithful,” but also the staff of the publishing houses in general, who tend to change employers more frequently, since there is competition for attractive staff.

Does Concentration of Ownership Threaten “Literary Quality”?

One Swedish respondent thinks that there is a clear trend in the way large publishers have “cut back on costs... and on their organization” instead of “investing to increase revenue” as an economic strategy, something that will threaten quality publishing and editorial competence in the long run (I). Another Swedish publisher, M, points out that more money is spent on marketing than editorial work and that in the US this development has meant an increase in popular literature and decrease in what M calls “quality literature” (M). German H describes the situation in the German market in the same way.

The Swedish public’s and Swedish Government’s view of literary quality is an issue that several Swedish respondents bring up. One person from a large Swedish publishing group thinks that domestic traditions, views of culture and consumer habits inform the book market, not politics and specific business logics. This person also thinks that this is one of the main reasons for fixed book prices in some countries: their purpose is *not* to protect publishers and safeguard diversity; they are simply due to national customs and the view of literature as a commodity (J). But P, who also represents a large publishing group, does not agree that different consumer attitudes are discernible in different countries and maintains that in any case it does not matter *what* people read, the important thing is *that* they read: be it popular literature or more exclusive genres, it does not matter (P).

Several of the German respondents maintain that people in Germany regard books as something that is extra valuable and not one commodity among others. Germans are used to fixed prices—it is a historical question, a tradition, and something that preserves the respect for books as a “cultural good” (A, E, and F). German C from a large global publishing group does not quite agree but thinks that the differences between Germany and Sweden in this regard are due to the fact that Sweden is a very small market with fewer players and have nothing to do with views of consumers towards books and reading. Swedish P from a large publishing group has the same opinion; here German and Swedish representatives of vertically integrated publishers are of one mind.

From Börsenverein’s website it is clear that the organization views independent publishers as upholders of culture and guarantors of diversity in the book trade:

In Germany, cultural diversity is largely characterized by the existence and work of the many small independent publishers. It would be unthinkable without the creativity and innovation of these publishers. It is they that set trends, react flexibly to change and discover new topics and/or authors. They

dare take up unusual projects and realize them with a lot of dedication, enthusiasm and also willingness to take risks. The preservation of this diversity – as well as the diversity of retail booksellers – is a prerequisite for fixed prices on printed products.²¹

But German A, who is active in AkV, does not think that this is correct. Literary quality does not depend on whether a publisher is large or small. Smallness does not necessarily have to mean “good,” and vice versa when it comes to large publishers (A). B, also a German independent publisher, agrees, thinking that small publishers are often presumptuous, convinced that they are better than others.

However, Swedish independent publishers often make an argument by describing themselves as being more concerned with qualitative literature than the large publishing groups, whom they regard as mainly economically motivated. Swedish K finds this problematic. The demand for “quality literature” is not big and K maintains that “there is really a deep-seated contempt for culture in Sweden. I really want to claim that this is the case. The contempt for culture, I don’t know where it comes from” (K). But Swedish L, also from an independent publisher of “quality literature,” does not agree but “would like to believe” that “Swedes are refined and that there is a demand for educative literature” (L). Respondent P from a large Swedish media group agrees. L thinks that the difficult economic situation for small publishers must be turned around by concentrating on quality, not just when it comes to the content of the books but in all parts of the literary process. Not being able to afford to employ large numbers of staff, publishers might instead extent customize projects:

[this] is a point of strength, both when it comes to design but also marketing. We don’t have this enormous foundation that everything has to pass through but we can consider what is unique in every project. . . Here the question is quality. Our strategy is quality in workmanship from from beginning to end. We enjoy the confidence of individual reviewers and booksellers. Vertical integration strengthens bestsellerism. (L)

Here is the idea that small publishers represent quality while large publishers stand for bestsellers. But is this a free choice? L does not think so. “We are looking for a bestseller. We have to help the titles we invest in. We must have bestsellers too” (L). Swedish K also emphasizes the risks that too narrow a specialization on quality might bring: “People don’t understand, wondering, ‘Who wants to read that kind of literature? Why do you want to make books that look like that? That are just obscure?’ Like when we did our first book and presented it to a number of chain stores who thought that the cover was too difficult” (K).

Conclusions

The Swedish Government’s official report on literature from 2012 claims that, “the biggest change [that vertical integration leads to], however, is that the large

²¹ <http://www.boersenverein.de/de/portal/akv/158258> (retrieved Oct. 15, 2013).

publishing groups have to move their positions forward among retailers.”²² Since this development has been noticeable in Sweden in the last decade, it is more than probable that just like in Germany it is rather an international retailer and distributor—Amazon—that moves its position forward and leads the development to an increasing vertically integrated book market. The physical bookshops are hard pressed globally and a clear result of the present study is that the interviewed Germans are not very worried about national publishing groups buying up retailers. Why would they, when it most probably is a losing business deal? Instead they see Amazon as the big threat, in spite of fixed book prices and books not being more expensive at Amazon than at any other bookseller.

The development in the last year, with Amazon preparing to establish itself in Sweden, makes several Swedish publishers and booksellers draw a similar conclusion, and everyone says the same thing: there is no point in trying to compete with Amazon if they come to Sweden. It is also worth to keep the Swedish system with free prices in mind, which means that Amazon’s effect on the Swedish book market will probably be much more deeply felt than in Germany with its fixed prices.

At the same time there is a parallel movement in both Sweden, Germany and globally in that there is more and more cooperation between publishing houses. One strategy used is cooperative arrangements about sales, for example of e-books, but also about distribution and selling into retailers. One conclusion to be made here is that a central strategy for mid-size and small publishers in a vertically integrated book market is that they have to become vertically integrated themselves. To a large extent this has become possible through the digitization of the book market.

Another strategy that the present study has found is the way many independent publishers try to introduce its brand as specialized and concerned with “quality literature.” They have realized that it is impossible to compete with the large publishing houses; the only way to survive is to find unusual publications and create a distinctive image for themselves. But in part the increasing polarization in the market can be said to have forced this strategy. The question that follows is whether this really is a lasting strategy? Or is there a risk that, as Danish literary scholar Hans Hertel has pointed out, small and mid-size publishers become subcultures that are rendered harmless in a specialized literary food chain, while large publishing houses dominate the mass market and the intermediary market? Does a concern with quality and integrity lead to increased isolation and polarization in the market or is it a rhetorical and economical point of strength?²³ At the end of the day, in order to survive all publishers, regardless of size and ownership, have to make money.

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²² SOU [15: 387].

²³ Hertel [8].

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