

**Bundle Up with BitLit:
How Print and eBook Bundling Can be
Leveraged to Sell More Print Books**

by

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Abstract

Since 2011, print and ebook bundling has become a part of many publishers' digital strategy. From Amazon to Barnes & Noble to BitLit, companies from all areas of publishing are offering bundling programs. Some publishers are even developing their own bundling programs. This report delves into why bundling is a viable option for publishers who want to sell more print books. Depending on a publisher's goals, bundling can help accomplish financial and marketing goals. These goals will be explored in detail. Next, the report will explore the available bundling platforms with a focus on BitLit's smartphone app. The next section in the report features case studies from BitLit. They include those of HarperCollins' pilot program, how Morgan James Publishing uses bundling, and how bundling can be an effective strategy for selling books in offline bookstores.

Keywords: book publishing, digital publishing, print and ebook bundling, marketing, data sharing, ebooks, readers

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Chapter 1. Introduction

This is a report about how book publishers can use print and ebook bundling to sell more print books. The majority of the report will focus on BitLit's bundling program and the technology behind the smartphone app. BitLit is a Canadian-owned company headquartered in Vancouver, British Columbia.

The report begins with a definition of bundling and how it adds value to the book as a commodity for readers and publishers. What is the financial value of bundling? Does bundling offer value in other ways? In a world where books are purchased online from Amazon, on tablets from Kobo, read on phones using Wattpad, and even now are still purchased from physical bookstores, how does a publisher capture the attention of an ever-fragmented reader base?

The second section is about audience. What readers are publishers trying to reach with bundling? This section is bolstered with reports and studies by industry-leading researchers such as Bowker, BookNet Canada and Pew Internet Research. Bundling is focused on reaching the hybrid reader. The hybrid reader can be broken down into three main groups: students; professionals such as doctors, nurses, and developers; and travelers and commuters. There are concrete reasons why these groups have become hybrid readers. The section will conclude with statistics gathered from the BitLit team.

The third section of this report is about bundling options. What companies are offering bundling and which publishers are doing it directly? This section includes an introduction to BitLit's bundling program. This is the focus and bulk of this report. The report will go into the technology behind the company and the impact

the technology could have on the publishing industry. The report will then delve into three case studies. These case studies were researched at BitLit. They include those of HarperCollins' pilot bundling program, how print-on-demand publisher Morgan James Publishing uses bundling, and how bundling can be an effective strategy for promoting and selling books in offline bookstores.

The final section explores the challenges of print and ebook bundling including the existing and potential roadblocks faced by the book publishing industry. What is delaying bundling from becoming a mainstream phenomenon? Specifically, which roadblocks exist for BitLit? Bundling is affected by larger publishing challenges such as digital rights management (DRM) and the so-called walled-off gardens of Amazon's Kindle and other ereaders. The report concludes with a brief section on recommendations for the future.

This report was researched during an internship in summer 2014. The author, Rosemary Sidle continued to work at BitLit through 2015 so the report features information from these months as well.

Chapter 2. Introduction to Bundling

With the rise of ebooks, bookselling has become more complicated. Pricing of books and ebooks has been a rollercoaster since the release of the first Kindle in November 2007. While the Sony ereader pre-dated the Kindle, they lacked the vast reading audience that Amazon had already acquired by selling print books. Today, with other successful companies on board such as Kobo and Nook, 50% of readers own ereaders.¹ Niall McCarthy of Forbes reported that over 50% of people read in both formats interchangeably as researched by Statista.² Eight years after Kindle was released, only 6% of people are reading ebooks exclusively.³ This means that readers constantly have to choose between the mediums. In Canada, print also remains the most purchased format with BookNet Canada reporting that only 20% of book purchases are ebooks.⁴

Publishers typically make more money on a per-unit basis on print editions because they are able to ask a higher price and their royalty payments to authors are lower. Pricing for print books has remained more steady, but even still, publishers have been forced to lower their prices. Ebook pricing, while still in flux, is generally lower and provides a higher royalty thus netting less for the publisher. With the recent

¹ Kathryn Zickhur and Lee Rainie. "Tablet and E-reader Ownership," Pew Internet Research, January 16, 2014, <http://www.pewinternet.org/2014/01/16/tablet-and-e-reader-ownership/>.

² Niall McCarthy. "Do Readers Really Prefer Their Dusty Old Paperbacks To E-Books? The E-Book Industry By The Numbers." *Forbes*. October 22, 2014. <http://www.forbes.com/sites/niallmccarthy/2014/10/22/do-readers-really-prefer-their-dusty-old-paperbacks-to-e-books-the-e-book-industry-by-the-numbers-infographic/>.

³ Ibid.

⁴ Pamela Millar, "Print vs. E: How Are Canadians Buying?" BookNet Canada, June 4, 2014, <http://www.booknetcanada.ca/blog/2014/6/4/print-vs-e-how-are-canadians-reading.html/>.

addition of Amazon Select, Amazon determines pricing — and publisher payments entirely on its own. The rocky pricing of ebooks means that publishers cannot reliably forecast what sales they will make from the ebook editions of their books. This is changing somewhat with three of the big five publishers (Simon & Schuster, Hachette, and Macmillan) reaching agency pricing deals with Amazon in 2014.⁵ What is the answer to adding steady incremental sales with ebooks? Leverage the ebook to sell more print through bundling.

When bundling is discussed in this report, it means the act of offering an ebook to readers who already own a print copy of the same book. Just as the music and film industries allow listeners to rip CDs and add digital content to their libraries, bundling programs allows readers to do the same for their literary libraries. Books are simply the latest art form to be bundled. Where print books are the equivalent of a vinyl record, ebooks are the MP3.

From the reader perspective, bundling allows readers to upgrade their print books to own multiple formats thus allowing them to read however and whenever they want. From the publisher's perspective, bundling allows publishers to earn more money. It is a sales tactic as well as a social selling tactic. This report will delve deeper into the economics of both tactics.

2.1. The Bundled eBook

In thinking about bundling, it is important that the bundled ebook be seen as a special sale for publishers and readers. Hardcover, paperbacks, and ebooks are various formats of the book. The bundled ebook is a special sale combining the ebook and one or multiple of the print editions. As such, the bundled ebook will not

⁵ Jeffrey A. Trachtenberg. "Macmillan, Amazon Reach New Deal," Wall Street Journal, December 14, 2014, <http://www.wsj.com/articles/macmillan-amazon-reach-new-deal-1418920057>.

erode ebook sales. David Wilk of Digital Book World explains it best: “The low priced ebook sold as a bundle with a print book is a completely different value proposition for the consumer. There is a longstanding tradition in consumer marketing of bundling related products at lower prices. We instinctively understand that we are getting a deal for the combined purchase we could not get otherwise.”⁶

Bundled ebooks can be any digital format offered by the publisher, but the most common formats seen at BitLit are EPUB, MOBI, and PDF. Fixed-layout EPUBs are less common nowadays but they continue to be popular for children’s books.

This differentiation between bundled ebooks and ebooks is significant when it comes to selling. To readers, they are the same product. To publishers, they are a special sale leveraged to sell more print books. They also increase the amount of revenue a publisher makes per ebook.

2.2. The Perceived Value of eBooks

What is an ebook worth? This is a tough question. Among readers, there is the perception that the print book is of greater value. Readers will generally not pay the same price for an ebook as they will for a print book. Part of this perception may result from low ebook prices at retailers like Amazon. Whether the devaluation of the ebook is the result of Amazon’s low prices, or Amazon’s low prices are a result of reader demand is uncertain. After all, Amazon’s Kindle store is full of ebooks priced at \$0.99. Either way, this is a persistent problem for publishers. In *The Business of Digital Publishing* Frania Hall writes, “The way publishers have often looked at the sales of digital version of their books is as a sale on top of their existing print

⁶ David Wilk. “The Positive Economics of eBook Bundling and Amazon’s Matchbook,” *Digital Book World*, September 12, 2013, <http://www.digitalbookworld.com/2013/the-positive-economics-of-ebook-bundling-and-amazons-matchbook/>.

versions.”⁷ Later in the book, she writes, “In many cases, digital sales have been treated rather like a special deal sale, one which adds a bonus of money but does not have to carry the higher costs of creating the books.”⁸

The statistics support Hall’s claim. In 2012, the BookNet Canada Consumer Annual Report reported that consumers paid an average of \$19.44 for hardbacks, \$12.23 for paperbacks, and \$8.02 for ebooks with 38% of those ebook sales being free and another 17% priced under \$5.00. Some of this large percentage of ebook sales offered for free can be attributed to the large number of self-published works now online.

Still ebook pricing fluctuates immensely. The Amazon-Hachette battle in 2014 over pricing demonstrates how volatile the industry is right now. Luckily, publishers do not need to rely on selling ebooks to make a profit. Only 6% of the American market reads solely ebooks.⁹ In 2014, only 20% of book sales in Canada were ebooks.¹⁰ In addition, only 13% of the Canadian market said they were uninterested in a bundled option while 20% said they would choose a bundled print book over a non-bundled print book.¹¹ This means 20% of people would buy one book over another simply because of that offer. That statistic shows that bundling programs can promote print sales.

Many publishers continue to make more money off print books, so it makes sense to pursue ways to earn more revenue with special sales and offers such as bundling.

⁷ Frania Hall. *The Business of Digital Publishing*. (New York: Routledge, 2013), 116.

⁸ Ibid.

⁹ Niall McCarthy. “Do Readers Really Prefer Their Dusty Old Paperbacks To E-Books? The E-Book Industry By The Numbers.” *Forbes*. October 22, 2014.
<http://www.forbes.com/sites/niallmccarthy/2014/10/22/do-readers-really-prefer-their-dusty-old-paperbacks-to-e-books-the-e-book-industry-by-the-numbers-infographic>

¹⁰ Pamela Millar, “Print vs. E: How Are Canadians Buying?” BookNet Canada, June 4, 2014,
<http://www.booknetcanada.ca/blog/2014/6/4/print-vs-e-how-are-canadians-reading.html/>.

¹¹ Ibid.

BitLit's co-founders understood this, so the print and ebook bundling model is a way to earn more money off the print edition by leveraging the ebook edition.

2.3. Why Should Publishers Offer Bundling?

With the rise of ereaders, audiences are divided between preferences for print and digital editions. Most readers are not reading one format either. They read in multiple formats. It is not an even split, but it does divide the audience in a significant way. Arguably, audiences are further fragmented through the use of various ereading devices. Not only must they choose between print and digital, they must choose what digital format they want to purchase, whether it be an EPUB, MOBI, or PDF. A bundled ebook may be in multiple formats eliminating this second purchasing decision.

Furthermore, although audiences are reading various formats, the vast majority of them are reading print books some of the time. A Pew Internet Research study reported "88% of those who read ebooks in the past 12 months also read printed books."¹² The study also found "59% of those ereader owners said they were reading a printed book. On any given day, 39% of tablet owners are reading an ebook and 64% were reading a printed book." These statistics show that the hybrid reader is indeed a real person. There is thus an opportunity for a market with bundled ebooks.

With a reader appetite for bundling, what are the other reasons a publisher would consider bundling? Bundling is beneficial to the publisher for three major reasons:

1. It allows publishers to increase their income from an initial print sale and the perceived value of the package as a whole.

¹² Lee Rainie, Kathryn Zickuhr, Kristen Purcell, Mary Madden, and Joanna Brenner. "The Rise of e-Reading," Pew Internet Research, April 4, 2012, <http://libraries.pewinternet.org/2012/04/04/the-rise-of-e-reading/>.

2. It increases the publisher's brand recognition.
3. It allows publishers to connect directly with their readers.

All three of these points relate to leveraging the bundled ebook. Some publishers may be interested in achieving all three of these goals. Others may be more interested in one or two points. Bundling can be used to make more money and for marketing purposes.¹³ These two strategies can be summed up into two concerns: the economics of bundling and the social economics of bundling.

2.4. The Economics of Bundling

From BitLit's industry research, the team at BitLit found that less than 1% of readers will pay full price for an ebook if they already own a print copy.¹⁴ This means that there is not a market to sell the full-priced ebook to those readers. By offering bundling, publishers are not losing revenue because readers were very unlikely to ever pay full priced for the ebook to begin with. There is no cannibalization happening when publishers choose to offer bundling programs.

The good news is that BISG reported that 48% of readers will pay something to receive the digital edition with their print books.¹⁵ The digital edition or ebook continues to hold value for readers who already own the print edition. David Wilk, founder of Booktrix, at Digital Book World argues "this transaction [the sale of a bundled ebook] increases revenue for the retailer, the publisher and the author and provides value to the consumer."¹⁶

¹³ Connecting directly with readers is not always possible depending on the chosen bundling strategy. This will be discussed later in the Bundling Options section.

¹⁴ Mary Alice Elcock. *BitLit Press Kit* (Vancouver: BitLit Media Inc, 2014).

¹⁵ *BISG Consumer Attitudes Towards E-book Reading*. Edited by Book Industry Study Group. 2013, <https://www.bisg.org/publications/consumer-attitudes-toward-e-book-reading>.

¹⁶ David Wilk. "The Positive Economics of eBook Bundling and Amazon's Matchbook," Digital Book World, September 12, 2013, <http://www.digitalbookworld.com/2013/the-positive-economics-of-ebook-bundling-and-amazons-matchbook/>.

Print and ebook bundling is a way to increase a publisher's average-revenue-per-user (ARPU). The 2012 Canadian Book Consumer Annual Report by BookNet Canada indicated that 20% of readers said they would choose one print book over another if it also came with a bundled ebook. A similar study by BISG in their Consumer Attitudes Towards E-Book Reading report indicated that 48% of readers say that they would pay more for a print book if it came bundled with an ebook.

The market is there to make sales with bundling. This report will now break down the income with print and ebook bundling and show how bundling can add to a publisher's overall revenue. Inspiration for this breakdown came from David Wilk, founder of Booktrix and frequent contributor to Digital Book World. In 2013, David Wilk explored the income breakdown for publishers when Amazon's Matchbook program was released.¹⁷ At BitLit, the VP Marketing and Publisher Relations Mary Alice Elcock, created an adapted version that reflects the typical costs faced by a publisher today.

The following example uses the book *City of Glass*. The book is priced at \$24.95 and is published by Douglas & McIntyre.

The first graph details the retailer's margin or discount of 50% (shown below). In this example, Elcock allocated 15% for distribution costs. In his breakdown, David Wilk allocated 15% for editorial and printing costs. Elcock separated printing costs out at 7.5%. She did this because she allocated the editorial costs across the print and ebook editions. This means that in this graph for the paperback edition, she's allocated 3.75% for editorial. Marketing is generally 10% of the book's budget so Elcock split this in half again so that the print and ebook editions each cover 5% of

¹⁷ David Wilk. "The Positive Economics of eBook Bundling and Amazon's Matchbook," Digital Book World, September 12, 2013, <http://www.digitalbookworld.com/2013/the-positive-economics-of-ebook-bundling-and-amazons-matchbook/>.

that cost. Finally, author royalties vary greatly so were kept at 8% as a median example.

All of this minus the cost of returns gives the publisher \$4.18 profit from the book. This is 16.5% of the cover cost.

Paperback income priced at \$24.95

Retailer Margin	\$	12.48
Distribution Costs	\$	1.87
Cost of Print	\$	1.87
Cost of Editorial	\$	0.94
Cost of Marketing	\$	0.62
Author Royalty	\$	2.00
Cost of Returns	\$	1.00
Publisher Net	\$	4.18

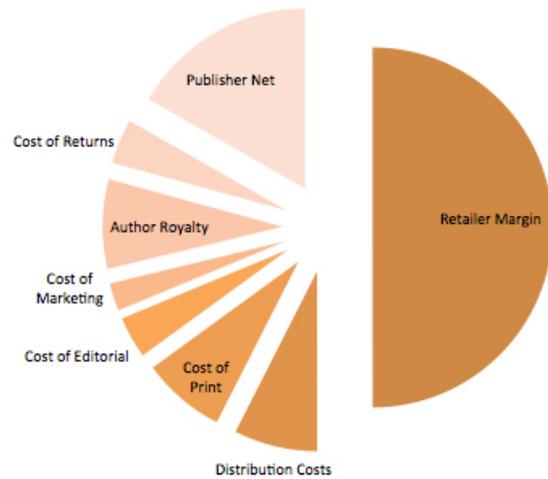


Figure 1. Economics of a Paperback Book ¹⁸

The graph below shows *City of Glass* sold at \$14.95 as an ebook. eBook royalties are at 25% for this graph as authors typically earn more from ebooks. There are no returns. This leaves the publisher with \$3.34 profit or 22% profit from the cover price.

¹⁹ Mary Alice Elcock. "The Economics of eBook Bundling," *BitLit*, January 8, 2014, <http://www.bitlit.com/blog/economics-of-ebook-bundling/>.

eBook income priced at \$14.95	
Retailer Margin	\$ 7.48
Distribution Costs	\$ 0.75
Cost of eBook Production	\$ 0.15
Cost of Editorial	\$ 0.94
Cost of Marketing	\$ 0.62
Author Royalty	\$ 1.68
Publisher Net	\$ 3.34

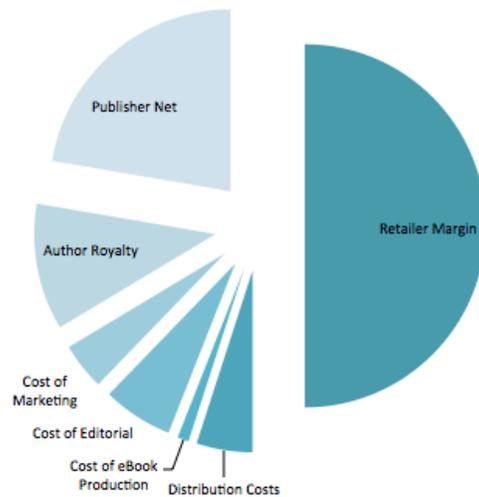


Figure 2. Economics of an eBook ¹⁹

What about the bundled ebook? The economics for this graph are based solely off of BitLit’s margins and costs for the *City of Glass* ebook priced 75% off at \$3.99. This example uses 75% off the digital list price because of results of a survey conducted in late 2013 to readers about their likelihood of purchasing a bundled ebook. It revealed that “if bundled ebooks were available at available at a 75% discount, well over half of respondents were ‘Somewhat to Much more likely’ to purchase the companion digital edition.”²⁰ At BitLit, the team took this to heart and generally encourages publishers to offer the bundled ebook for 75% off the digital list price. In fact, the average discount for ebooks on BitLit is 81%. This factors in bundled ebooks offers for free as well.

Because the app is on Android and iPhone, it needs to do payments through Google Play or the Apple App Store. These stores take 30% of every sale. In addition, many publishers require DRM on their books, which is an average cost of 7%. Distribution and author royalty costs are the same as a standard ebooks. Since the bundled

¹⁹ Ibid.

²⁰ BitLit Media. “Consumer Interest and Publisher Opportunities in Bundling Print and eBooks,” *BitLit Media Inc*, spring 2013.

ebook is a special sale, editorial and marketing costs were removed from this chart because they were accounted for in the original projections for the ebook. The bundled ebook is not a separate format in the eyes of the profit and loss statement. Rather, it is a special sale. This leaves 5% commission for BitLit and 39% publisher net.

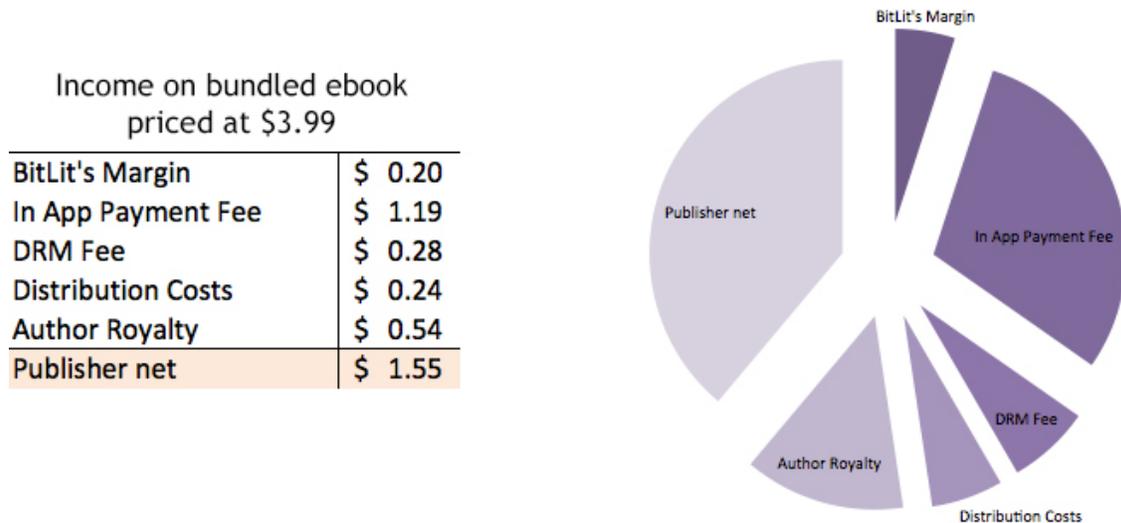


Figure 3. Economics of a Bundled Paperback and eBook²¹

These numbers break down to the publisher earning \$4.18 for the paperback, \$3.34 for the ebook and \$1.55 for the bundled ebook. For a reader who bundles her copy of *City of Glass*, the total profit of a print sale from *City of Glass* would be increased from \$4.18 to \$5.73. The bundled ebook accounts for 27% of the publisher profit of this book. This is not an insignificant sum.

These charts do not distinguish between frontlist and backlist sales because the bundled ebook costs remain the same no matter if the book is a new release or a classic favourite. The takeaway here is that with less than 1% of readers paying full

²¹ Ibid.

price for both the print book and the ebook, the publisher stands to make more money by offering bundling.

In addition to the financial gain, the publisher gains the contact information of that reader (provided the publisher bundles on their own or through BitLit). This will be discussed in detail in the next section.

2.5. The Social Economics of Bundling

With BitLit and in-house bundling programs, publishers also gain the contact information of every reader who bundles his or her books. After all, the publisher needs to email the ebook to the reader. This is a unique and vital way to build email newsletter lists. Publishing is an industry severely hampered by the reality that publishers do not have direct contact with their readers and thus do not know the whys and wherefores of a reader's purchases. With organizations like BookNet Canada, publishers have a much better impression of where books are selling, but they continue to lack ways to connect with individual readers after the book is purchased.

This makes marketing books especially difficult. Where are a publisher's fans? And more importantly, where are the fans of their authors? A book publisher wants to reach out to the people who already bought their books. For example, if a reader bought a Phyllis Smallman book last year, she will likely want to read the next one in the series. This is marketing that makes sense. But how does a publisher find these people?

Bundling offers a way to gain the contact information of the person who bought a publisher's or an author's last book. The reader gets a good deal on the bundled ebook and the publisher gains the contact information. This information can be used to bolster the publisher's email newsletter list. If contact information is most

important to the publisher then offering the bundled ebook for free will garner more bundles and thus more information. There is no financial risk when a product is offered for free, so free bundles better. In the BitLit whitepaper, the survey details that 49% of people did not bundle due to financial reasons.²² These readers felt it cost too much money to pay for the ebook edition of a book they already owned in print.

Publishers might think that giving away the ebook for free is lost revenue, but what about what they are gaining? In her blog post “The Social Economics of eBook Bundling”, Mary Alice Elcock quotes Nicholas Lovell’s book *10 Ways to Make Money in a FREE World*:

The number one job of free content is to build the ability to talk to your audience a `second time.’...Lovell’s point rests on the fact that you can make your freeloaders (ie. me when I downloaded the free ebook) into fans (ie. me when I bought the print book) and then even into superfans (those are the people who paid a lot of money to have lunch with Lovell after the book launched).²³

What stands out about Lovell’s point is that he is writing about offering something completely for free. Publishers stand to win twice because they have already made a profit from the reader purchasing a print copy, so now they can market their new books to those readers and possibly earn more sales.

This model is all about adding value to the product—the book. By adding value, the publisher starts to build fan loyalty such as in Lovell’s case. In *Books, Bytes, and Business*, the authors, Bill Martin and Xuemei Tian, write that publishers are searching for ways to add new value: “the search for new value comes in the form of

²² BitLit Media. “Consumer Interest and Publisher Opportunities in Bundling Print and eBooks,” *BitLit Media Inc*, spring 2013.

²³ Mary Alice Elcock. “The Social Economics of eBook Bundling,” *BitLit*, January 26, 2014, <http://www.bitlit.com/blog/social-economics-of-ebook-bundling/>.

extra services to customers”.²⁴ These services can function as reciprocal bonuses for the reader and the publisher. They explain this well in the graph below with this citation: “Figure 7.8 shows the transfer of tangible and intangible values between two key players in book publishing value networks, namely publishers and consumers. The dotted arrows represent intangible values and the solid arrows represent tangible values”.²⁵



Figure 4. The Transfer of Tangible and Intangible Values from Martin & Tian 2010²⁶

Intangible values for publishers include feedback for books and services. This feedback is often lost in publishing because a reader buys a book from Amazon and might not actively reach out on social media or attend events. The reader might not even know about such events. Gaining contact information is valuable because the publisher can reach out to the reader and the reader gains a way to find a group of fans that read similar books. The graph above indicates the reciprocal benefits of

²⁴ Bill Martin and Xuemei Tian. *Book, Bytes, and Business*. (Melbourne: Ashgate, 2010), 65.

²⁵ Ibid, 143.

²⁶ Ibid.

bundling. Reader information is important for capturing orders and building customer loyalty.

Authors most definitely have fans. Building customer loyalty builds that group of fans and thus builds goodwill between the fan and the publisher too. Amanda Palmer, artist and author writes: "People like supporting the artists whose work they like. It makes them feel happy. You don't have to force them. And if you force them, they don't feel as good"²⁷. Fans support the artists and authors they like. Build up loyalty with value such as bundling and the publisher is on the right path.

2.6. Hybrid Readers as the Audience for the Bundled eBook

Bundling can work for all readers, but BitLit has seen that bundling works best for hybrid readers who want both the convenience of an ebook and the print edition at home. It is important to establish which readers are hybrid readers — that is, readers who read books in print and ebook formats.

In this community of hybrid readers, there are a few key groups to discuss. These groups were chosen because they are the types of readers most often discussed when a reading study is conducted. Bundling is a fairly new option for readers, so these are the early adopters of bundling. The audience may very well change if bundling becomes mainstream.

The first group is students. In her book, *Words Onscreen: The Fact of Reading in a Digital World*, Naomi Baron reported that 92% of college students prefer reading print books to ereaders.²⁸ That said, they naturally become hybrid readers because

²⁷ Cory Doctorow. *Information Doesn't Want to Be Free*. (San Francisco: McSweeney's, 2014), iv.

²⁸ Alice Robb. "92 Percent of College Students Prefer Reading Print Books to e-Readers," *New Republic*. January 15, 2015, <http://www.newrepublic.com/article/120765/naomi-barons-words-onscreen-fate-reading-digital-world/>.

some textbooks are much cheaper as ebooks. In a post for BitLit, Rosemary Sidle quoted Carl Kulo, U.S. director of Bowker Market Research as sayings “Students aren’t resisting digital. It’s extremely critical in their daily lives. But they are seeing more learning and monetary value in print textbooks. [...] Price and benefit to the student are the main factors that influence students to try and use new and different course materials.”²⁹

With bundling, students can purchase the bundled ebook often for 75% off or more. Students keep the ebook for reference and then sell the print edition after the semester is over. eBooks also offer the ability to search the book electronically for quotations.

A second key group of hybrid readers are professionals such as doctors, nurses, and developers. On BitLit, 5% of all the books on readers’ shelves were academic or professional titles.³⁰ Technical publisher O’Reilly leads the pack with the most bundled ebooks on BitLit. That is quite a large total of non-trade books that are used regularly for these readers’ jobs. Having the book also available on their phones is important for work. This group might even be less price conscious.

The third group are travelers and commuters. These people are particularly sensitive to the weight of their bags. They may want to bring several novels on holiday by loading them on their tablets or put their current read on their phone for easy commuting. People often become hybrid readers when their primary choice of print books becomes unwieldy. In his blog post, “Confessions of a Digital Immigrant”, bestselling self-published author, Hugh Howey demonstrates in his video blog post that he used to carry several magazines, a newspaper, and three to

²⁹ Rosie Sidle. “Print or Digital? A Student’s Textbook Dilemma.” *BitLit Media Inc*, May 13, 2014, <http://www.bitlit.com/blog/print-or-digital-a-students-textbook-dilemma/>.

³⁰ Porter Anderson. “Wait, Not Another Shelfie instead Take a Shelfie,” *Thought Catalog*, November 25, 2014, <http://thoughtcatalog.com/porter-anderson/2014/11/wait-not-another-selfie-instead-take-a-shelfie/>.

four books in his bag (Howey 2015). Now he carries his tablet and his Kindle with him. As a lifelong book reader, Howey was slow to adopt a hybrid reading lifestyle, but he now confesses to mostly reading ebooks.

Bundling is a new concept for books and thus these groups represent the early adopters of bundling. They have a specific need for bundling, so they search it out and are willing to try new technologies to get that bundled ebook at a great deal.

The caveat here of course is that early adopters represent only 13.5% of the population in the technology adoption lifecycle created by Everett M. Rogers.³¹ The demographics of the hybrid reader may change as bundling becomes more commonplace. There is also an argument to be made that bundling with BitLit specifically can have a technological barrier because it requires the reader own a smartphone and be willing to learn how to use the BitLit app.

For now, the groups of students, professionals, and travelers remain the key groups who are interested in and engage in bundling their books.

³¹ Morgan Gerard. Innovation & Early Adopters: Beyond the Bell Curve, n.d., <http://www.ideacouture.com/blog/innovation-early-adopters-beyond-the-bell-curve/>.

Chapter 3. Bundling Options

At the moment in early 2015, there is no dominant purveyor of print and ebook bundling. Publishers, retailers, and third-party businesses are taking on bundling and experimenting with what works. This section will detail the most successful bundling strategies currently in the marketplace.

3.1. Direct Publisher Bundling

Some innovative publishers such as ECW Press, Coach House Books, and No Starch Press are already offering bundling on their website. Direct bundling means the publisher must develop a validation system and do direct fulfillment of the bundled ebook. If the bundled ebook is to be priced, publishers need to set up a point-of-sale. Technically, it is not difficult if the publisher already has an ecommerce site, but few do.

For proof of purchase, some publishers ask readers to submit receipts, scan QR codes, or tear cards in the books (this option might require shrink wrapping). Proof of purchase requirements place an artificial time limit on bundling because readers typically do not keep receipts for very long. The University of Kentucky Press has figured out a way to bypass this. They use a Tumblr page where they require

readers to submit a photo of themselves holding their print copy in order to receive a free ebook.³²

This option requires more time commitment than third-party programs, but publishers build relationships by connecting with their readers directly. They also retain any data they may collect such as contact information.

3.2. Amazon Matchbook

A prominent bundling program is Amazon's Matchbook program. Readers can get MOBI versions of print books they purchased on Amazon.com (US only). Publishers can price the bundled ebooks from \$0 to \$2.99. Publishers must opt into this program, so it does not include all ebooks on Amazon, or all of the books in any particular publisher's backlist.

Interestingly, the Matchbook sale is not offered at point of sale, nor is it actively promoted to readers when they are on Amazon's website. It is a program that readers must seek out. Those who choose to bundle their ebooks get those digital copies loaded into their Kindle accounts. It is a simple program for readers...once they find out about it.

3.3. BookShout and Ingram's Bundling Program

BookShout is an independent company that provides a direct-to-consumer e-book platform specializing in bulk e-book sales, digital book donations and e-gift cards. In

³² University Press of Kentucky. *University Press of Kentucky eBook Loyalty*, November 25, 2014, <http://upkebooks.tumblr.com/>.

August 2014, Publishers Weekly reported that BookShout partnered with Ingram and HarperCollins to offer a bookstore bundling program.³³ The program was only offered in eleven bookstores across the country.

How it worked is that when a reader purchased a print book, they paid a fee to receive a BookShout code. The reader then went to the BookShout app to the promotion redemption screen to input the code. There has not been word about if this program continued past summer 2014. The program only featured HarperCollins titles.

BitLit also did a bundling program in summer 2014. The results of this campaign are detailed below in the section called Case Study #3: Bookstore Campaign.

3.4. Nook Bundles by Barnes & Noble

In November 2014, Publisher's Lunch reported that Barnes & Noble launched an in-store bundling program called Sync Up! during the holiday shopping season.³⁴ Barnes & Noble's press release stated that 70 titles are a part of the program including *Outlander* by Diana Gabaldon, *Doctor Sleep* by Stephen King, and *Life of Pi* by Yann Martel. The bundled ebooks are sold for \$4.99.

How the Sync Up! program works is readers must look for a bookmark inside an eligible book. This bookmark is then brought to a cashier and the cashier adds the

³³ "Harper, Ingram Team with BookShout to Offer Bundling," *Publishers Weekly*, August 1, 2014, <http://www.publishersweekly.com/pw/by-topic/digital/content-and-e-books/article/63526-harper-ingram-team-with-bookshout-to-offer-bundling.html>.

³⁴ Michael Cader. *Barnes & Noble Launches Bundling Promo ("Sync Up") and Adds POD to Nook Press*, November 12, 2014, <http://lunch.publishersmarketplace.com/2014/11/barnes-noble-launches-bundling-promo-sync-adds-pod-nook-press/>.

fee to the receipt and gives the reader a gift receipt with an access code. The access code can be redeemed on any NOOK or NOOK reading app.

This program relies on the reader not losing the receipt. Barnes & Noble also gains customer information in this way when the customer uses the access code to get the ebook. There was no word if the information was passed on to the publishers.

The program does not seem to be tied to any one publisher. The biggest titles featured in the program were published by imprints of Simon & Schuster and Penguin Random House. It looks as though smaller publishers cannot easily sign onto to the Sync Up! program.

Chapter 4. BitLit: Explained and Introduced

This section is an introduction about BitLit, the company's mission, its founders, and how the app functions, both for readers and publishers. This report will contextualize BitLit in terms of what the company does for publishers. The BitLit app currently has two features: Claim a Book and Shelfie. Both of these are explained below.

4.1. Founders and Team

As of March 2015, BitLit is made up of eight people with two co-founders and three directors. The two co-founders are Peter Hudson and Marius Muja. Peter Hudson is the CEO and heads business development and fundraising sides of the business. Marius Muja is the CTO and chief creator behind the app's functionality. The board is made up of Peter Hudson, Jim Fletcher and Dan Allard who was also one of BitLit's earliest investors.

Sancho McCann is the Head of Research and Development at BitLit and is responsible for the technology behind Shelfie. Marius and Sancho both hold PhDs in computer science from the University of British Columbia. Rounding out the development team is Ben Westergreen as the UX Designer and Alex Popov as the Junior Mobile Developer.

Mary Alice Elcock heads up the content marketing team as the VP Marketing and Publisher Relations. Mary Alice is an MPub graduate who spent five working for

Douglas and McIntyre giving her a keen understanding of the publishing industry. Working under her is the author of this report, Rosemary Sidle who works as the Content and Marketing Coordinator.

4.2. BitLit: An Introduction

BitLit was founded on the premise that readers should be able to get digital copies of books you own in print. The idea for the company originates from a problem that the founder and director experienced themselves. Readers tend to purchase books in one format but there are times when another format would be more useful. On June 24, 2012, co-founders Peter and Dan were debating the nature of free will and how it might be affected by the advancements of quantum super position computing by D-Wave systems. They needed to reference the book *A New Kind of Science* by Stephen Wolfram. They noted how readers live in a time where a huge amount of information is readily available everywhere with smartphones, but print books were not. It was a problem faced by all types of readers and it seemed like a problem they could solve. In January 2013, BitLit was incorporated.

The idea behind BitLit's technology is that it would be different than all of the other bundling options on the market by combining the benefits of various bundling programs and minimizing the time commitment and effort publishers and readers would have to do to bundle.

Peter realized that the only way to truly solve this problem was to introduce a third party into the mix. This company would be able to balance publisher and reader interests and be a scalable product where hundreds of publishers and thousands of readers can use the app as it grows. In order to do this, a new technology would need to be created.

Marius hypothesized he could create an app that would read a book cover. This cover recognition software would scan a photo of a reader's book then search its database for a matching cover image. The software can also scan a page and look for a matching ISBN and handwriting (the reader's name). The cover recognition software was released to the public for Android in November 2013 and for iPhone in 2014.

On October 15, 2014, Shelfie was released to the public after a beta-testing period in summer 2014. Shelfie is a feature that recognizes all of the books on a reader's bookshelf and lets the reader know which books are eligible for bundling on BitLit. This feature is Sancho McCann's creation. Details on how the cover recognition software and Shelfie work are detailed below in sections 3.3 and 3.4 respectively. Shelfie was created to make it easy for readers to figure out which books were eligible.

As of March 2015, over 300 publishers are participating in the bundling program. This includes HarperCollins for a pilot program in July 2014. Other publishers early to join were ChiZine Publications, Baker Publishing Group, Dundurn, and Morgan James Publishing. Large technical publishers such as Elsevier Science, O'Reilly Media, Packt Publishing, and Wiley have also joined. The most recent influential joiners are Andrews McMeel Publishing, Sourcebooks, Workman Publishing, and Verso Books. In March 2015, Macmillan's Tor imprint joined the program to become the second big 5 publisher to join BitLit. In early summer, Tor will add thousands of titles to the BitLit app and the same time that HarperCollins extends their pilot into a larger offer of several thousand titles.

The large publishers signing up with BitLit are a testament to the desire for bundling to work in the publishing industry. Michael Bhaskar's Digital Publishing Startups list shows there are a huge number of startups entering the industry with

innovative ideas about how to sell more books or how to publish in new ways.³⁵ The fact that bundling with BitLit has garnered the attention of so many publishers is encouraging.

4.3. The Technology: Shelfie

To bundle books using BitLit, a reader first takes a Shelfie. A Shelfie is a photo of a bookshelf. Shelfie is the brainchild of Sancho McCann. The idea for Shelfie came about when the team kept hearing that readers wanted a quick way to see which books were eligible. Shelfie identifies all of the books and produces a shortlist of books eligible to bundle. This means that readers can discover all of their eligible books with a single photo. Behind the scenes, Shelfie works using computer vision algorithms by first segmenting the spines in the photo. Then the app reads what is on the spines. It works by matching its best guesses against book titles in the Bowker Books in Print database. If no title is found, the image is sent to Amazon's Mechanical Turk. Mechanical Turk is a service that hires people to answer simple questions that computers still have trouble answering such as reading words on a spine on a book cover. Amazon Mechanical Turk slogan is "artificial artificial intelligence."

For the average bookshelf, this process takes about 15 minutes. Because Shelfie uses deep neural networks (the same ones based on Google's research), Shelfie gets more accurate and faster too as the data set grows larger.³⁶

³⁵ Michael Bhaskar. *Digital Publishing Startups*. March 2015.
https://docs.google.com/a/bitlit.com/document/d/1vcPBUincOjwgIQBjq_qhMPb9QYitgeyl6gQUM1hWQUw/edit

³⁶ Sancho McCann. *Deep Neural Networks Bridging Between Theory and Practice*. December 2, 2014.
<https://www.packtpub.com/books/content/deep-neural-networks-bridging-between-theory-and-practice>.

priced, then the reader is led to the payment page. This page is the same one used for all Apple App Store or Google Play payments to minimize friction. After this, the email will appear in the reader's inbox with links to the ebook.

4.5. Shelfie for Publishers

Bundling with BitLit provides publishers with the two benefits already outlined in this report. The publisher gains the contact information for every reader who bundles one of their books in the form of name and email address. This information is only given out if the reader bundles a book; if the reader only took a Shelfie, the information is not shared. This is in accordance to the BitLit End-User License Agreement.³⁸ If the bundled ebooks are offered for a price rather than free, the publisher also gains revenue from the bundled ebooks.

Shelfie provides publishers with the opportunity to make sales because the reader will see that his or her books are eligible for ebook bundles. The reader may not be looking to bundle that publisher's book until he or she sees it is eligible. The reader also learns it is possible and can make an informed decision next time she buys a print book by that publisher knowing the ebook is available for free or at a steep discount. BitLit has heard from eager readers that they have gone on to check if print books are eligible for ebook upgrades before they purchase a book in a bookstore. This is great for publishers who offer the program. However, when the publisher has not signed on yet, in some cases, readers have even reported they decided not to purchase those books. In those cases, the publisher has missed out on a print sale and a bundled ebook sale. This is anecdotal evidence at the moment based on emails with readers. It is nonetheless interesting to see that some price-motivated readers are considering the bundled ebook when purchasing books.

³⁸ BitLit End User License Agreement. January 2, 2014. <http://www.bitlit.com/eula/>.

4.6. BitLit for the Publishing Industry

When readers take Shelfies, it helps the BitLit content team because they can see which books and publishers are most commonly on readers' shelves. The team then focuses on adding those most commonly seen books and publishers to the app.

More importantly, Shelfie collects unique data that publishers typically cannot access. In November 2014, Porter Anderson wrote a piece for Thought Catalog about the data being collected from Shelfies.³⁹ The first type of data is macro—it is the collective data that shows which publishers are on readers' shelves. This is not data from claimed books, but rather solely from Shelfies. As of November 2014, the user base was 2:1 male. It is important to note that these readers' shelves are skewed because they are the early adopter-innovator group of people. It does not represent the book-buying market as a whole where women are the predominant purchasers of books.

³⁹ Porter Anderson. "Wait, Not Another Shelfie instead Take a Shelfie," *Thought Catalog*, November 25, 2014, <http://thoughtcatalog.com/porter-anderson/2014/11/wait-not-another-selfie-instead-take-a-shelfie/>.

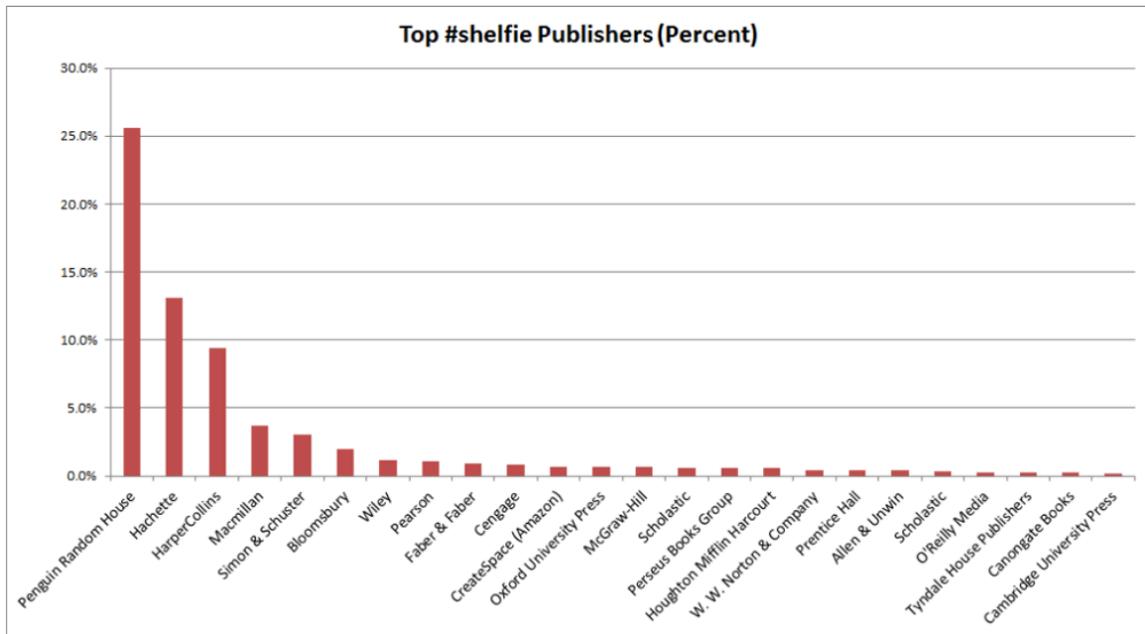


Figure 6. Top Shelfie Publishers⁴⁰

Despite these caveats, the data shows some interesting statistics. It is no surprise that the Big 5 publishers really are the big five publishers with Penguin Random House leading the pack. Next is Hachette then HarperCollins, Macmillan and Simon & Schuster. After that, Bloomsbury leads the pack due to their publication of Harry Potter in Canada (partnered with Raincoast) and the UK.

Despite only hitting the big time in 2005, Createspace, the book printing arm of Amazon, comes in at number 11. This shows the incredible impact Amazon has had not only selling books but *publishing* them as well. It could be argued that Createspace is a platform for self-published authors. However, Bowker's Books in Print considers Createspace to be a publisher. Amazon also lists any book printed by Createspace to be also published by Createspace. It is an interesting shift in what defines a publisher. Nonetheless, Createspace is taking up a significant amount of space on many readers' shelves.

⁴⁰ Peter Hudson. Top Shelfie Publishers Data, *BitLit Media Inc*, 2014.

The presence of smaller publishers such as Canongate showcases the power of a few mega bestsellers. Canongate is the publisher of Yann Martel's *Life of Pi*.

Shelfie keeps track of book titles and authors too. Authors such as Stephen King, J.K. Rowling and Terry Pratchett are no surprise. This next list showcases the authors most seen on bookshelves.

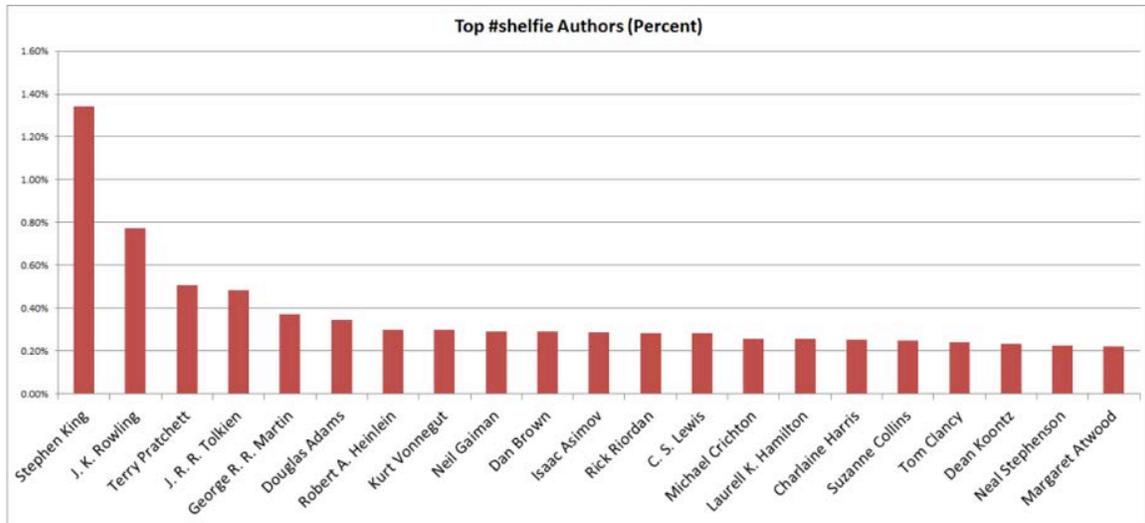


Figure 7. Top Shelfie Authors⁴¹

The second, perhaps more important element of Shelfie is the microdata. Shelfie identifies which books are on a particular reader's bookshelf. In essence, it creates a reader profile. Shelfie identifies which books are next to each other too. Typically, publishers do not know anything about their customers other than they bought one (or several) of their books. Shelfie creates clusters of interest. What other books does that person read? What themes are common in their reading? Reading is deeply personal. Readers often complain that computer-generated recommendation engines are terrible. Recommendation engines do not know what is on a reader's bookshelf. They can only know what books were recently clicked on in a particular

⁴¹ Peter Hudson. Top Shelfie Authors Data, *BitLit Media Inc*, 2014

website. Since books are a common gift, those browsed books might not represent a reader's interests but rather those of her mother or friend.

If a reader purchases all her books off Amazon then that company has a decent idea of what type reader she might be. Despite that, readers still complain that their recommendations are dull. Shelfie has the data to understand a reader's tastes quite precisely. Currently, BitLit does not give recommendations to readers, but the data and possibilities for using it is fascinating. BitLit shares some of this data with their users through a word cloud created using BISAC codes and a few other identifiers. This is a shareable feature. Below are word clouds created from the personal libraries of BitLit staffers.



Figure 8. Word Cloud Examples from BitLit Staffers⁴²

Shelfie has the potential to help publishers market more precisely to their readers.⁴³ Currently, this data is not shared with publishers. Readers remain anonymous as well. BitLit is poised to expand to offer other Shelfie features to readers in 2015 and 2016. The co-founders are considering which features would be most useful to readers and publishers.

⁴² Peter Hudson. Word Cloud Examples , *BitLit Media Inc*, 2014

⁴³ Shelfie is a feature exclusive to BitLit. The technology is unique and patent pending.

4.7. The BitLit Audience

At BitLit, the author collected statistics from data gathered over 26 months from November 2013 to January 2015. The following are observations retrieved from BitLit users. Users of the app are 2:1 male to female. Men are 2 times more likely to pay for a bundled ebook. When the bundled ebook is offered for free, men and women are equally as likely to get the ebook.

An important caveat to these findings is that the app still attracts the innovator part of the adoption curve. As CEO Peter Hudson writes, “We’re in the ‘innovator’ part of the adoption curve on this technology, so it’s not surprising that we’re seeing a large percentage of users who tend towards fantasy/sci-fi and popular nonfiction, as these are typically male genres”.⁴⁴ With this innovator and early adopter bias in mind, it is still intriguing that men are more likely to pay for that bundled ebook. Publishers of speculative fiction and academic or professional texts are most likely to benefit from the current BitLit audience.

⁴⁴ Porter Anderson. “Wait, Not Another Shelfie instead Take a Shelfie,” *Thought Catalog*, November 25, 2014, <http://thoughtcatalog.com/porter-anderson/2014/11/wait-not-another-selfie-instead-take-a-shelfie/>.

Chapter 5. Case Studies

The following case studies are meant to illustrate BitLit's strategies with concrete examples from three of BitLit's partnered publishers. The first example comes from the large print-on-demand publisher, Morgan James Publishing. The second example involves the second largest trade publisher, HarperCollins and their pilot with BitLit. The final example involves numerous smaller trade publishers who have signed onto BitLit's bundling program such as Coach House Books, ChiZine Publications, and Other Press.

5.1. Case Study #1: The Effect of the Branded Graphic on the Copyright Page: Morgan James Publishing with Launch

Morgan James Publishing, founded by David Hancock, publishes over 150 books a year. Morgan James is an innovative publisher striving to remain on the bleeding edge of publishing technology.⁴⁵ The publisher uses Lightning Source (print-on-demand services) by Ingram Publisher Services in order to maintain their rapid publishing cycle. Since starting with Lightning Source and IPS, Morgan James reported they lowered their average returns to less than 25%. This is in part because they do not print a book until they get an order for it, as per the print-on-demand model.

⁴⁵ Morgan James Publishing. "About Morgan James," 2014, <http://www.morganjamesPublishing.com/about/>.

5.1.1. How Morgan James Publishing Uses Bundling to Sell More Print Books

Morgan James and BitLit worked together to come up with a graphic for all of his books' copyright pages. Morgan James is in a unique position to make quick changes because of its print-on-demand model.

Launch

An Internet Millionaire's Secret Formula To Sell Almost Anything Online,
Build A Business You Love, And Live The Life Of Your Dreams

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Figure 9. Launch by Jeff Walker Copyright Page⁴⁶

⁴⁶ Morgan James Publishing. *Launch* Copyright page, 2014.

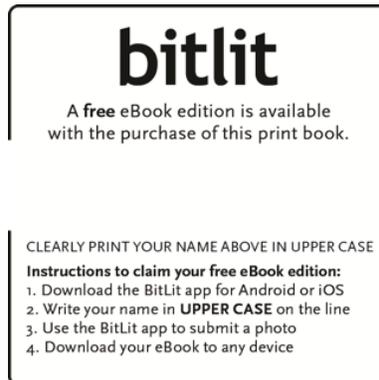


Figure 10. BitLit Bookplate⁴⁷

This graphic is placed prominently on the copyright page as shown above. It is a near-guaranteed way for the reader to find out about BitLit as many readers scan the first few pages for the table of contents. Morgan James has bundled hundreds more books than other partnered publishers in the business genre.

The ebook is offered for free which is enticing for the reader as there is no financial risk in trying bundling. Morgan James has successfully used the contact information garnered from BitLit to market to their readers other books similar to the title they purchased.

Launch by Jeff Walker is a New York Times best-selling business book about launching a successful product or business. As of October 2014, there have been 40,000 books printed. The author is extremely active in promoting the books with an extensive book tour and Youtube video series. None of this promotion has been directly about the BitLit bundling offer, but it has served to ramp up interest around the book.

⁴⁷ Ben Westergreen. BitLit Bookplate, *BitLit Media Inc*, 2014

5.1.2. Marketing and Promotions Done by the Publisher and by BitLit

When the partnership was announced in August 2013, Morgan James and BitLit were featured on Publishers Weekly.⁴⁸

David Hancock routinely posts on social media about the BitLit offer. He is an active promoter of the program. He posts from his personal account as an advocate of innovative publishing strategies. The majority of Morgan James' authors do not promote the offer.

The BitLit graphic in the book provides continual marketing for the program. Readers have a high likelihood of stumbling upon this graphic and finding out about the bundling offer. This marketing is not dependent upon the reader logging on Twitter at the precise moment, reading the BitLit blog, or walking into a bookstore with a BitLit promotion. It is not time sensitive or country sensitive.

This graphic is highly successful for publishers. Books with the BitLit bookplate printed inside them bundle over 1000% more often than unmarked books. The other publishers who have incorporated a bookplate are Engage Books, Brindle & Glass, and TouchWood Editions (although B&W and TouchWood do not print a bookplate, they print a stamp on the back of the book).

It is a tactic that BitLit staffers introduce to every partnered publisher brought on board with the program. It does require more investment from the publisher, but in this case, more investment has led to more success as well. In spring 2015, six more partnered publishers are incorporating the bookplate into their books. The publishers are: Alliteration Ink, ChiZine Publications, BookThug, Future Strategies,

⁴⁸ "Morgan James to Launch E-book Bundling Program," *Publishers Weekly*, August 27, 2013, <http://www.publishersweekly.com/pw/by-topic/industry-news/publisher-news/article/58866-morgan-james-to-launch-e-book-bundling-program.html>.

Now or Never Publishing, and White Knight Press. BitLit intends to do another review of how the bookplate is working in fall 2015 to see if the bookplate works as well for fiction titles as it does for the nonfiction and business books of Morgan James Publishing.

This strategy is free. It does not cost the publisher anything to introduce the graphic with every upcoming book (obviously this changes if the publisher were to introduce the graphic for reprints). The success of Morgan James' books showcases the importance of the bookplate especially for publishers that might not have the marketing manpower to promote the bundling program with each new title.

5.2. Case Study #2: The Author Platform: HarperCollins US with Heart-Shaped Box

HarperCollins is the second largest trade book publisher in the world making it one of the Big 5 publishers. In addition to signing on early to companies like Oyster and Scribd, HarperCollins and its Chief Digital Officer, Chantal Restivo-Alessi, have made huge strides in earning the title as the most innovative Big 5 publisher. The ecommerce website launched in July 2014 and as of March 2015, it remains the only big 5 publisher with ecommerce built into its website.⁴⁹ In late 2014, HarperCollins announced it would offer 10% more royalties on print, ebook and audiobook sales from www.hc.com.⁵⁰ Authors also stand to make more money from this program because they can add buy buttons to their personal websites to act as referral links.

⁴⁹ Jeremy Greenfield. "HarperCollins Pivots to Sell Print and Ebooks Directly to Readers Through Main Website," *Digital Book World*, July 8, 2014, <http://www.digitalbookworld.com/2014/harpercollins-pivots-to-sell-print-and-ebooks-directly-to-readers-through-main-website/>.

⁵⁰ DBW. "HarperCollins Author Program Encourages Direct Sales," *Digital Book World*, October 2, 2014, <http://www.digitalbookworld.com/2014/harpercollins-program-offers-authors-10-royalty-boost>.

The HarperCollins Reader is a branded Bluefire app that allows readers to open HarperCollins books purchased from anywhere. It is another indicator of HarperCollins trying innovative products. eBooks bought or claimed on BitLit can be opened with this app. As HarperCollins adds digital rights management (DRM) to all of its books, this is a free and simple way for readers to read their books.

5.2.1. HarperCollins' Bundling Strategy and Price Tolerance

BitLit and HarperCollins US partnered up to do a pilot program. The pilot featured six bestselling backlist titles each priced at \$1.99 or \$2.99. The participating titles are:

1. *The Success Principles* by Jack Canfield
2. *Wicked* by Gregory Maguire
3. *15 Seconds* by Andrew Gross
4. *Cryptonomicon* by Neal Stephenson
5. *Black Magic Sanction* by Kim Harrison
6. *Halfway to the Grave* by Jeaniene Frost

The goal of this pilot was to see if bundling was something that HarperCollins readers wanted and if so, which genres bundled the best. Joe Hill signed on later in the pilot with *Heart-Shaped Box* bringing the total to seven books. Joe Hill's book bundles for free at the author's request.

5.2.2. Marketing and Promotions Done by the Publisher and by BitLit

HarperCollins promoted *Heart-Shaped Box* in their BookPerk email newsletter. This newsletter has thousands of subscribers, so BitLit saw a lot of traffic from this promotion. HarperCollins also promoted the offer on their website with a graphic.

The majority of the promotions were handled by the author, Joe Hill, directly. This was a strategy on HarperCollins' part because they wanted to see what BitLit and

Joe could do together. Joe Hill is the bestselling author of *Heart-Shaped Box*, *20th Century Ghosts*, *NOS4A2*, and *Horns*. A film adaptation of *Horns* was released on October 31, 2014 starring Daniel Radcliffe. This film served to increase Joe's already large audience. Joe has over 200,000 Twitter followers and an avid Tumblr following.

Joe Hill came on board with the pilot program when he found out about BitLit at ComicCon. He bundled a book, tweeted about it and contacted HarperCollins about joining the summer pilot program.

5.2.3. Analysis about HarperCollins' Strategy

Joe Hill's *Heart-Shaped Box* bundled 1000% more than the next best HarperCollins bundled book, *Cryptonomicon*. There are a few factors for this.

Authors can have a true impact on the success of bundling. It is important to note that this is not about advertising. As written on Pubslush, authors know their readers best and they know that while they can gain incremental income from this promotion, they are mostly making their readers happy and earn themselves more loyal fans.⁵¹ This is what Joe Hill did.

When the program launched, Joe wrote a blog post "eBooks, Heart-Shaped Box, and You."⁵² The piece where he truly connected with BitLit's mission with this point: "For myself, I know – and believe we can still have – a thriving, healthy literary ecosystem, with big publishers and little ones, big bookstore chains and cozy indies, the convenience of online shopping and the pleasures of visiting your local brick-

⁵¹ Rosie Sidle. "Dear Authors, How to Sell More Print with eBook Bundling," *Pubslush*, October 10, 2014, <http://blog.pubslush.com/dear-authors-how-to-sell-more-print-with-ebook-bundling/>.

⁵² Joe Hill. "eBooks—Heart Shaped Box and You," *Joe Hill Fiction*, September 1, 2014, <http://joehillfiction.com/2014/09/ebooks-heart-shaped-box-and-you/>.

and-mortar place. And the BitLit software feels like technology in the service of supporting the whole ecosystem, instead of undercutting any one part of it.”

In addition to this post, Joe posted on his Facebook and Twitter. With over 200,000 followers on Twitter, his promotion had a significant effect. The nearly every person who bundled print copies of *Heart-Shaped Box* had never downloaded or used BitLit before. BitLit determined this from observing when these readers joined BitLit. These were fans who had never heard of the bundling program before, indicating they were not subscribers of HarperCollins’ Book Perk newsletter or had not seen any of BitLit’s independent marketing. Joe retweeted each of the tweets that sent out on Twitter by BitLit. The top three tweets received 138, 132, and 119 clicks respectively. These statistics are the number of people who clicked on the link. On average, BitLit tweets retweeted by Joe Hill were seen by over 12,000 users. BitLit’s following at the time was less than 1,000 users, so this is a significant increase.

In addition to Twitter tweets and Facebook posts, BitLit and Joe Hill did an author Q&A and worked together to create the ultimate Joe Hill prize pack with signed copies of his three other books. To enter, readers had to bundle a copy of his fourth novel, the participating novel, *Heart-Shaped Box*.

These promotions and the success of the pilot program is evidence that the author effect is what led to such success with *Heart-Shaped Box*.

5.2.4. Cost or No Cost

The ebook for *Heart-Shaped Box* is offered for free. This lowers the barriers because as studied by BitLit, readers are seven times more likely to bundle their books if the ebook is offered for free. This makes sense because the reader has nothing to lose financially.

The other books offered by HarperCollins have a bundled price of \$1.99 or \$2.99. This means the reader also has to pay money while testing out a new service.

Shopping cart abandonment was a concern for BitLit and HarperCollins. Seven days into the pilot program with *Heart-Shaped Box*, BitLit started doing direct fulfillment of the ebook. This means that readers are given a link to the ebook directly for *Heart-Shaped Box*. Previously and for all the other books in the pilot, readers who bundle their HarperCollins books are emailed a coupon code. Readers then have to visit the HarperCollins website, put in the coupon code and their information to create a HarperCollins ID. From there, they are given a link to the HarperCollins app where the book would be downloaded onto their phone. It is not a complicated process but it is a new process for most readers, so it leads to some initial frustration.

When BitLit and HarperCollins compared their data from the first week, the results confirmed there was shopping cart abandonment with the coupon codes. This friction is something that readers are not used to when buying books. Some readers are not tech savvy. They are used to purchasing a book at a bookstore or directly on their ereading devices.

HarperCollins acted quickly once they heard from readers that they were having trouble. They remedied the situation to offer direct fulfillment on the *Heart-Shaped Box* book because it was free.

Shopping cart abandonment was a non-existent problem once BitLit began direct fulfillment, readers are emailed an Adobe-protected ebook file directly. There is no need to use a coupon code.

As of March 2015, HarperCollins is working with BitLit to determine how to expand the bundling program to offer a wider selection.

5.3. Case Study #3: Bookstore Campaign

In summer 2014, BitLit organized a summer reads bookstore campaign to increase visibility of BitLit’s bundling program and the books participating in the program. Only bundled ebooks offered for free were a part of this pilot to keep it simple for booksellers and customers.

Why this bookstore campaign? The Bowker 2012 US Book Consumer Annual Review study determined that 28% of book discovery occurs in bookstores versus a mere 13% online.⁵³ In Canada, 26.12% of print books are impulse purchases while ebook purchases are only 17.41%.⁵⁴

eBook bundling means readers know they can visit their favourite bookstores and purchase multiple formats of a book. Bookstores compete with ebook retailers on a daily basis. eBook bundling is a way for bookstores to get in on the action too. The 2012 Book Consumer Annual Report by BookNet Canada indicated that 20% of readers would choose one book over another simply because of a bundling offer.⁵⁵

In summer 2014, BitLit partnered with 20 independent bookstores across Canada.⁵⁶ By providing promotional materials (pins, bookmarks, and stickers) and a shortlist of the eligible books, bookstores were able to promote ebook bundling as an incentive for readers to purchase the print books. The “free bundled ebook” sticker was meant to incentivize readers due to the idea they were getting two formats for one price—a two-for-one deal. This is a program that could be done independently as well.

⁵³ Jim Milliot. *2010-2011 U.S. Book Consumer Demographics & Buying Behaviors Annual Review*. (New York: Bowker, 2012).

⁵⁴ BookNet Canada Staff. *The Canadian Book Consumer 2012: Book-Buying Behaviour in Canada*, BookNet Canada, 2013.

⁵⁵ Ibid.

⁵⁶ Hasnain Raza. “BitLit’s Canada Summer Reads Bookstore Campaign,” *BitLit Media Inc*, July 10, 2014, <http://www.bitlit.com/blog/bitlits-canada-summer-reads-program/>.

The summer reads program included books from Brindle & Glass, ChiZine Publications, Coach House Books, ECW Press, Fernwood Publishing, Other Press, and numerous others. Most of these publishers offer the bundled ebook editions free of charge and DRM free as well. Those who charge a fee for the bundled ebook, made it free for this limited-time program (though BitLit would certainly honour the free ebook deal if a reader wrote in months later).

In order to test the success of the program, BitLit made sure to collect sales data for the featured books. Some important data comes from McNally Robinson Booksellers. Both McNally bookstores in Winnipeg and Saskatoon participated in the program. They even created a promotional poster for their featured table (as seen below.)



Figure 11. McNally Robinson Summer Reads Table Display.

The results of the program were that the bookstore sold 186% more of the featured books the two-month-long program in July and August 2014. During the program, the books were featured on a table with promotional materials. To come up with this number, McNally Robinson shared their sales data for these featured books for June, July, August, and September. The months of June and September were very useful for determining what the sales were like when these books remained on featured tables but did not have any information about the BitLit bundling offer. This allowed BitLit to A/B test the influence of the BitLit offer on sales.

BitLit was not able to collect data from every participating bookstore. Many bookstores simply did not have a way to keep track of sales before, during, and after the program. In those cases, BitLit collected anecdotal feedback from booksellers. The feedback was that booksellers heard from readers that the free bundled ebook offer was appreciated. They felt that in many cases, the offer significantly influenced the readers' purchasing decisions.

A caveat to this program is that the books were on a curated table giving some books a prominent focus that might otherwise not be enjoyed by the publisher. McNally Robinson is a larger bookseller, so they did feature the participating books on promo tables throughout the entire summer. The months of June and September simply did not have BitLit promotional materials or information.

Interestingly, BitLit did not see a huge increase in bundles for the books featured in the summer reading program. There was an increase in the books sold from that curated list, but readers did not always take up the BitLit offer after purchasing the book. The overall outcome of the summer bookstore program was positive for some publishers that say an increase in print sales, but for the next program, BitLit staffers may change the messaging or offer more bundled ebooks for free but only if claimed by a specific date. BitLit is interested to know if a limited-time offer makes a difference for bundling. Another strategy would be to feature books that use the

BitLit bookplate in the book to see if this increases ebook conversions as well as an increase in print sales.

Chapter 6. Ongoing Challenges for Bundling

Bundling is still in the innovator and early adopter phase. A major struggle for bundling to become mainstream is the fact that publishers have not flocked to one platform. By trying out various options, the bundling movement is segmented. The number one complaint from readers to BitLit is that not all of a reader's books are on the app. Adding publishers with direct outreach takes time. It will remain a struggle until more major publishers jump on board with BitLit. With Penguin Random House dominating about 23% of the trade publishing market, there will continue to be major gaps in the app for the mainstream trade market.⁵⁷

Another problem that exists for all publishers and companies engaged in selling ebooks is digital rights management (DRM). DRM is a technology applied to a product to make it illegal to transfer it to other devices. For example, if a reader purchases a digital copy of an ebook with DRM applied, the ebook sent to the reader is actually one from an Adobe Content Server (rather than BitLit's own server). This is so that the ebook is loaded with DRM. The reader must register for an Adobe account in order to unlock the book and have it loaded onto his or her ereader.

DRM existed in music for a while. As Angus Phillips wrote in *Turning the Page*, Apple dropped DRM from music purchased on iTunes after it was found to be too cumbersome for its customers.⁵⁸ Angus Phillips wrote: "It is possible that some short-term gains can be made in the battle against piracy and illegal downloads, but

⁵⁷ Peter Hudson. Personal Communication based on BitLit's Shelfie data. April 7, 2015.

⁵⁸ Angus Phillips. *Turning the Page: The Evolution of the Book* (London: Routledge, 2014), 65.

severe controls are not likely to last long. [...] Industry experts believe that the best solution is to make it as easy as possible to download content in a legal manner.⁵⁹

The challenge with books is that readers are accustomed to sharing print books amongst family and friends. Phillips writes that consumers would like to do the same with an ebook.⁶⁰ Like Apple, Phillips argues, “Technology companies would argue that there is a trade-off between functionality and control. [...] With ebooks, consumers have faced issues around being locked into platforms (such as the Kindle format or Apple devices) and also not being able to transfer books easily between devices.⁶¹ Author Cory Doctorow is perhaps the most vocal champion against DRM. In his 2014 book, *Information Doesn't Want to Be Free*, the author explains his famous Doctorow's First Law: “any time someone puts a lock on something that belongs to you and won't give you they key, that lock isn't there for your benefit.”⁶²

The digital lock that is DRM forces readers to make the choice of which device to put an electronic file. It is a false choice. Print books can be placed anywhere. For bundling to take off, DRM needs to be removed so honest readers can read their ebook anywhere too. Publishers understandably apply DRM to their books in an attempt to stop piracy, but it is not a solution that works for readers. Doctorow's analogy fits well here: “Imagine for a moment that every book bought at Walmart could be shelved only on a bookcase from Walmart. The books were designed with some kind of little divot in the spine so they could only sit flat on a Walmart shelf, and printed with a special ink that glowed only under a Walmart light bulb, and only when held at a special angle you could attain only by sitting in a specially designed Walmart chair.”⁶³ Furthermore, it is actually illegal in the United States to remove

⁵⁹ Ibid.

⁶⁰ Ibid.

⁶¹ Angus Phillips. *Turning the Page: The Evolution of the Book* (London: Routledge, 2014), 64.

⁶² Cory Doctorow. *Information Doesn't Want to Be Free*. (San Francisco: McSweeney's, 2014), 1.

⁶³ Ibid, 8-9.

DRM. The Anti-Circumvention Clause states that it is illegal to remove DRM even if your reason for doing so is legal such as transferring the file to another one of your own devices.⁶⁴ Cory Doctorow and the Electronic Frontier Foundation (EFF) are fighting to get this law overturned with their Apollo 1201 project.⁶⁵

DRM is an ongoing challenge that BitLit must also deal with because BitLit does not decide whether DRM is applied or not. With BitLit, ebooks are emailed to the reader, so they must then decide which platform to put the ebook. At BitLit, staff members have to direct readers to a platform, which locks that reader in. It is not the publisher that hears a customer's complaints when DRM becomes difficult to use. Instead, it is the retailer, which means publishers do not hear the frustration and might not understand it exists.

For example, for HarperCollins' titles, BitLit directs readers to its branded Bluefire app. There is nothing wrong with this app, but it does not serve the readers' best interests—and they know it. It serves the interests of the publishers who use these apps. These apps record the reading habits of readers. This is valuable data. However, these apps could be used in a way that did not apply DRM. Offer unique content or build a community on these apps. Such grand ideas could provide a solution that works for readers and publishers.

Another struggle for bundling is that ereaders continue to be walled-off gardens. Kobo is less so because it uses the EPUB format, but Kindle remains the sole ereader that uses MOBI format. For many readers, Amazon has successfully locked them into Kindle because of the number of books these readers have purchased on the platform. Readers may then hesitate to bundle books if they will not be loaded onto

⁶⁴ 17 U.S. Code 1201 – Circumvention of Copyright Protection Systems, Cornell University Law School, n.d, <http://www.law.cornell.edu/uscode/text/17/1201>.

⁶⁵ Corynne McSherry. "Cory Doctorow Rejoins EFF to Eradicate DRM Everywhere," Electronic Frontier Foundation, January 20, 2015, <https://www.eff.org/press/releases/cory-doctorow-rejoins-eff-eradicate-drm-everywhere>.

their Kindles. Sideloaded onto Kindles, Nooks, and Kobos is a struggle for all publishers and companies offering bundling. While BitLit is in a unique position to add an ereader into the app, it would not entirely solve the problem. It is an ongoing problem that in partnership with DRM continues to challenge readers in doing what they want with products they have purchased but do not own.

A third challenge is discovery. How do readers find out about bundling? Discovery is a tough challenge facing publishing. BitLit is one part of the solution. The team continues to develop the bundling program to increase its effectiveness at aiding discovery. This is stage two for the company set to launch sometime in late 2015.

In March 2013, Andrew Rhomberg wrote an excellent piece in *Digital Book World* about the five shades of book discovery.⁶⁶ He listed the five shades as follows:

1. Serendipitous Discovery: This is what browsing a bookshop or a library shelf is all about (usually within our favorite category and not truly random).
2. Social Discovery: This is the good ol' word of mouth. Books that trusted friends recommend to us and is increasingly also happening on Goodreads, Readmill, Pinterest, Twitter, Facebook, Tumblr and at other social online destinations.
3. Distributed Discovery: We make many book discoveries when a book is mentioned in context, be it the review section of a newspaper, on a blog, at a conference, as a footnote or endnote in another book, etc.
4. Data-driven Discovery: This is the Netflix [or Amazon] recommendation engine for movies applied to books.
5. Incentivized Discovery: Be it a promotion, book giveaway, review copy or similar.

Based on these five choices, it might appear there are many channels for readers to discover new books. This is true. The problem of discovery is purely a publisher's problem. Readers will always find books even if they are not necessarily the most interesting books to them. With bookstores closing and YA readers dominating the

⁶⁶ Andrew Rhomberg. "Five Shades of Book Discovery," *Digital Book World*, March 4, 2013, <http://www.digitalbookworld.com/2013/five-shades-of-book-discovery/>.

social discovery platforms such as Goodreads and Booktube (Book bloggers on Youtube), smaller publishers in particular want their books to stand out. Bundling may be one way for a publisher to differentiate itself from a competitor from a price standpoint, but what else?

Publishers win when readers talk about their books. They win when their books are made easier to read by offering various formats at an affordable price. Readers do not rave about books they have not yet read. They win when readers see their friends' shelves and discover what books their friends also read in addition to the latest book club title. This is serendipitous discovery and social discovery combined into one. BitLit is working to become a greater impact on these forms of discovery.

Chapter 7. Conclusion

BitLit is one option for bundling. At the time of writing this report, several major publishers are in talks with BitLit to add their books to the app. In January 2015, Mary Alice Elcock, VP Marketing & Publisher Relations at BitLit, noted that publishers are looking for various ways to make incremental sales to bolster their sales value. Bundling is one way to do that. Bundling offers publishers a way to leverage ebooks to sell more print books. Print books continue to be the main source of revenue for publishers, so it makes sense to promote this format. Bundling with BitLit and in-house options gives publishers a way to gain their readers' contact information for direct marketing campaigns. These readers are fans. They want to know about the latest book. This is marketing that makes sense. Publishers like Tor at Macmillan and Coach House Books see this potential to grow their communities.

Currently, readers see bundling as a way to save money to get ebooks. Bundling adds incremental value to the books they see in bookstores and online. Some publishers add incremental value by adding cooking classes with chefs-turned-authors. Bonus material with ebooks or digital-only content is another strategy to add value.

In the end though, the only way publishers can effectively create products or add services around the books they publish is to know what readers want. BitLit offers up the contact information that makes this possible. Many publishers do not have the budget or time to perform many experiments. With a direct connection to readers, publishers are not shooting in the dark when it comes to producing books and other content that readers will enjoy, be willing to pay for it, and of course, will

share wildly about it to their friends. BitLit is gearing up for the next phase of the app. It will feature a social element to bundling and books. Adding value wherever possible is how publishers stay competitive and BitLit will do the same for its readers and partnered publishers.

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Appendix.

“Consumer Interest and Publisher Opportunities in Bundling Print and eBooks: A whitepaper based on market research conducted by a third party in April 2013 for BitLit”

Book publishers currently face an enormous number of challenges fueled by the consequences of rapid consumer adoption of ereaders and tablets.

The book market is increasingly demanding that hardcover and eBook editions of a new title are released for sale simultaneously. Meanwhile, eBook retailers have aggressively driven down the price of eBooks as a means of enticing new adopters to buy into ereader ecosystems from which purchased eBooks cannot be removed (e.g. Kindle). Publishers have been faced with the added production expense of eBooks but have not been rewarded with increased revenue. Indeed there is the perception that eBook sales may in fact cannibalize hardcover sales.

Discoverability of eBook titles through online vendors remains an enormous challenge. Despite huge investments in recommendation engines such as Goodreads, brick and mortar book retailers remain by far the best avenue for new title discovery. And yet, traditional print book retailers are losing sales to showroom shoppers as they are unable to effectively participate in the digital marketplace.

Finally, publishers are unable to connect directly with their readers and customers through traditional print or new digital sales channels. While some have setup direct to consumer sales channels through their websites, the overwhelming majority of both print and digital book sales are made through channels where publishers are unable to directly connect with their readers.

The Canadian Book Consumer 2012 Annual Report noted that 20% of readers said they would choose one print book over another if it also came with a bundled ebook. If publishers were able to easily and securely bundle ebooks with print editions, would consumers be interested in owning books in both formats? If bundled ebooks were not offered for free, how much are consumers willing to pay for a digital edition of a book they owned in print? To answer these questions, BitLit hired an independent consumer market research firm to survey 400 US adults who own ereaders.

Survey Results

Within the survey group less than 2% of book purchases were eBooks where the owner already owned the same title in print. This means that publishers who offer free or discounted eBooks to readers who own print editions are not cannibalizing an opportunity for a full price eBook sale.

When asked why readers were not interested in purchasing an eBook edition of a book they owned in print, we found the largest inhibitor was the financial cost of purchasing both the printed book and eBook version. Smaller numbers of respondents cited no specific need to own multiple formats (28%), a smaller group citing the fact that they do not re-read books (19%).

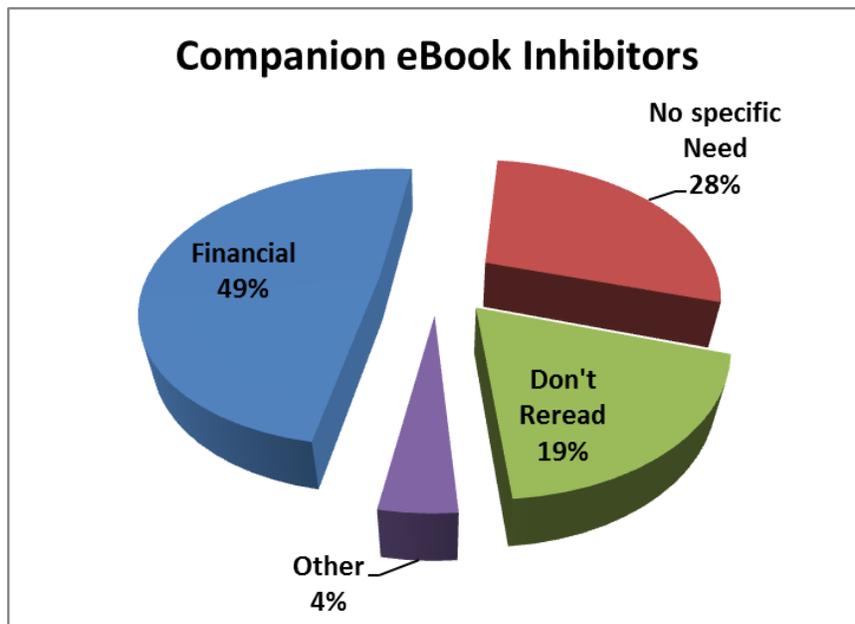


Figure A.1. Companion eBook Inhibitors (Peter Hudson, BitLit Media)

Bundled Price Effects on Consumer Interest

We asked our survey group how their likelihood of purchasing a bundled eBook would change if the bundled eBook were available at various discounts. Not surprisingly, a bundled eBook discount of 25% and 50% off the full eBook price did not significantly change attitudes. However, if a bundled eBooks were available at a 75% discount, well over half of respondents were “Somewhat to Much more likely” to purchase the companion digital edition.

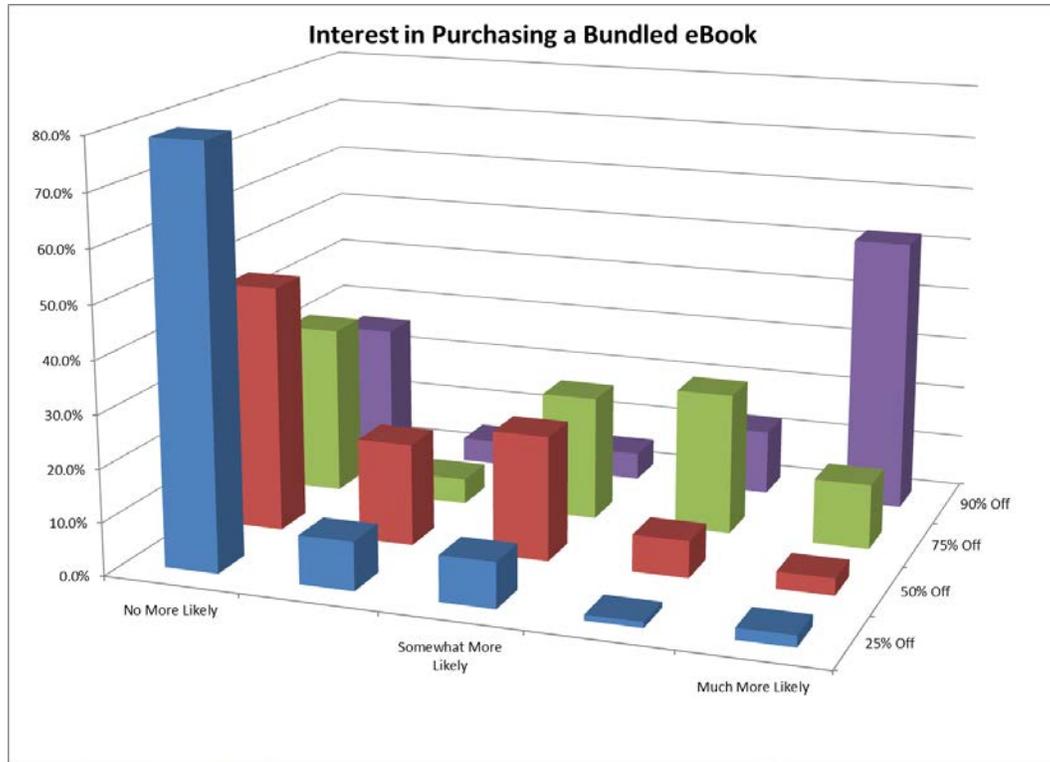


Figure A.2. Interest in Publishing a Bundled eBook (Peter Hudson, BitLit Media)

Interestingly, offering a companion eBook at a 90% discount did not substantially change the number of “Somewhat to Much more likely” responses. The lack of change in attitudes from 75% discount to 90% is likely the result of the segments of our survey group who were not financially motivated: That is, the 28% who saw no specific need to own both an ebook and a printed book, and the 19% who do not re-read books. In consideration of these results, it would appear that there is a companion ebook pricing “sweet spot” at around a 75% discount. At this discount level, readers who were previously inhibited by the price of the eBooks would consider buying both print and eBook editions.