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Cultural policies in the times of digitization: evaluation and perspectives

Nutsa Gureshidze

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UNIVERSITÉ SORBONNE PARIS NORD
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LABEX ICCA

THÈSE DE DOCTORAT
DISCIPLINE : SCIENCES ÉCONOMIQUES

PAR
NUTSA GURESHIDZE

CULTURAL POLICIES IN THE TIMES OF
DIGITIZATION:
EVALUATION AND PERSPECTIVES

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Université Sorbonne Paris Nord
Université Sorbonne Nouvelle Paris 3
LabEx ICCA

THÈSE DE DOCTORAT

Discipline : Sciences Économiques

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EVALUATION AND PERSPECTIVES**

**LES POLITIQUES CULTURELLES À L'HEURE
NUMÉRIQUE : ÉVALUATION ET PERSPECTIVES**

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*To my beloved family:
Temur, Mariam, Anano, Nino*

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¹ Monitoring Committee

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List of Abbreviations

CNC	Centre national du cinéma et de l'image animée ²
CNN	Cable News Network
CSA	Conseil supérieur de l'audiovisuel ³
DVD	Digital Versatile Disk
DCMS	Department for Digital, Culture, Media and Sport
EAO	European Audiovisual Observatory
EC	European Commission
EU	European Union
EUR	Euro (European monetary unit)
FBP	Fixed Book Price
GBP	British Pound Sterling (monetary unit)
GDP	Gross Domestic Product
IMDB	Internet Movie Database
IPA	International Publishers Association
MTV	Music Television
N/A	Not Available
NBA	Net Book Agreement
OECD	Organisation for Economic Co-operation and Development
PPV	Pay Per View
RPM	Resale Price Maintenance
SMAD	Services de médias audiovisuels à la demande ⁴
SNE	Syndicat national de l'édition ⁵

² National Center of Cinema and Animated Image

³ Superior Audiovisual Council

⁴ On-demand audiovisual media services

⁵ The French Publishers Association

SVOD	Subscription Video On Demand
TVOD	Total Video On Demand
UK	United Kingdom
UNESCO	United Nations Educational, Scientific and Cultural Organization
USD	United States Dollars (monetary unit)
VAT	Value Added Tax
VOD	Video On Demand

Structure of the thesis

The thesis is structured in four chapters. Each chapter is shaped in a way that approaches common thread of this thesis. Chapter 1 observes cultural policy by looking into the past literature, exploring past practices of the cultural policy making and digitization. While Chapter 2 focuses on how the fixed book price policy really works, describes its real goals and objectives, Chapter 3 puts digitization into the action and describes how digitization challenges FBP's goals in an ongoing digital world. Finally, Chapter 4 overviews another important cultural policy in the age of digitization. This is Chronology of media policy, which seems very puzzling in the era of digital platforms.

The first Chapter, entitled **“Previous Literature on the Cultural Policy Making and Digitization”** is devoted to an extensive literature review investigating general cultural policy issues and challenges, as well as the link between cultural policy and digitization. The goal of this part is to understand the different ways in which cultural policy and digitization can interact. Therefore, it acts as a preface for the whole thesis.

Chapter 2 is named as **“Assessment of the Efficiency of Fixed Book Price Policy. A Comparative Analysis”**. It reviews the evolution the fixed book price policy and defines its real goals and objectives on the basis of country cases. By identifying the views of key government officials, national booksellers associations and national book publishers association, it analyses how efficient this policy is deriving from country cases (countries included in the study are: France, Germany, UK).

Chapter 3 puts digitization issues into the action and studies important challenges of how to integrate fixed book price policy in a digital world. Entitled as **“Efficiency of the Fixed Book Price Policy in a Digital Era”**, it involves technological developments, as well as the competition between new and old technologies that work in a way to ensure the existence of the fixed book price system together with the adaptability to change.

Chapter 4 studies the **“Simple Economics of Media Chronology Policy in a Digital Era”**. It focuses on the extensive literature review and historical matters of the release window strategy. There is a strong ongoing discussion on how the chronology of media and legislation fit the realities of the digital age as the digitization challenges timescale periods. With the increase of internet usage, traditional models of distribution turned upside down. Therefore, it is the right time to investigate digital challenges of the release windows and why it does still exist. Theoretical justifications are given to provide the evidence on the usefulness of this policy.

Finally, for the closing remarks, final conclusion is given in order to show the main findings as well as some limitations of this study. In addition, remarks about the future lines of research are also presented.

“Economic and cultural imperatives can be seen as two of the most powerful forces shaping human behavior”

David Throsby (2001)

General Introduction

Preface

In the last decades there has been a boom in writing about cultural and creative industries since they open the questions that fall in the boundaries of both culture and economics. Also, there is much literature related to the cultural studies, that are understood in the frame of cultural policy analysis. Discussions about cultural industries first appeared in 'The Culture Industry: Enlightenment as Mass Deception' (1947) work by Adorno and Horkheimer. According to them, Culture Industry became incorporated into the new system of monopoly capitalism, therefore found its purpose in order to control masses. Culture Industry was an extension of new industries of mass reproduction and distribution.

Government plays an essential role in formulating cultural sphere and enable policy initiatives. General aim of the government cultural policy is to promote plurality and creativity, preserve and develop cultural environment, as well as to increase an equal access to culture. To do so, legislation, government programs and various policy instruments are required. The goal is to support culture and make it accessible to everyone. Growing cultural products strengthen financial basis of cultural production that can serve both cultural and industrial policy goals. There are available wide range of measures to governments in order to stimulate cultural industries, strengthen the linkages between wider economy and these industries, together supporting achievement of sustainable growth (Throsby 2010).

Having achieved a mass recognition in policy areas, actual cultural industries policy, however, have been developed a little (Hesmondhalgh and Pratt 2005). The concept of 'creative cluster' has been an exception in this regard (DTI 2001, Pratt 2004, Hesmondhalgh and Pratt 2005). It is significant to highlight that cultural and creative industries may be the result of cultural landscape changes, shifting cultural policy into the wider fields such as media and communication (Hesmondhalgh and Pratt 2005).

Related discussion is a degree to which cultural policy should adjust and take part in the process of digitization, or should it simply keep its traditional role without any changes. Internet has challenged most of the justifications for creative autonomy, as it has transformed traditional cultural business models (O'Connor 2010). In modern policymaking cultural diversity has become a widespread subject, especially after the UNESCO's Convention on Cultural

Diversity⁶, also known as Convention on the Protection and Promotion of the Diversity of Cultural Expressions.

Political decisions in the cultural field are not simple, neither the regulatory design is (Burri 2012). Governmental institutions are devoted to support, fund and promote cultural initiatives, which is mostly a question of cultural policy. Cultural policy aspects in the government policy agenda involve the creative industry visions as a source of growth, innovation and structural change in nowadays new-economy (Throsby 2010). Regulatory frameworks for the industries are one of the essential responsibilities of the governmental structures. However, in the world of technological developments, old regulatory frameworks might not be compatible with digital advancements.

Most of the debates around cultural policies nowadays are all about digital advancements and their influence of cultural industries. Usually we spend several hours a day consuming cultural products such as films, books, music and TV shows. According to Statista, Americans spend 6.15 hours a day in consumption of cultural products. Brazilians spend average 6 hours, while Germans – 5.25 and French people – 5.05 (Waldfogel 2018). Thus, cultural consumption takes a significant share of our everyday life.

The understanding how technological advancements affect cultural industries and cultural policies is interesting in its own sense. Technological changes, as well as socio-economic changes triggered by digitization have shaped cultural, information and communication environment differently. Therefore, this thesis is on the border of various fields, which includes the literature on cultural economics, also the literature that defines cultural industries, as well as the literature that concerns cultural policies and digitization. Would the digitization be good or bad for the new cultural content creation? How should the cultural policies respond? Do we need to integrate digitization in the actual cultural policies or do we need to neglect it and leave it to the industry?

New technologies prevent creative industries from having the same amount of revenue, while weakening their abilities to invest in new creations, such as new films, new books and new music (Waldfogel 2018). These creative industries are the ones most affected by digitization. Together film, book, music and television industries result around one-twentieth of the world's income.⁷ In this thesis I focus on two specific cultural industries and policies related to them in the times of digitization. First is the book industry with its regulatory mechanism – fixed book price policy. Second is the film industry and its media chronology policy.

⁶ <http://www.unesco.org/new/en/culture/themes/cultural-diversity/2005-convention>

⁷ World Intellectual Property Organization (2015)

As for books, the policy of fixed book price, which is considered as a protection mechanism for the book market and little bookshops, has already been integrated into the digital world – into the e-books. As for audiovisual industry, it may be a bit tricky, since the rise of big platforms change the landscape. Therefore, media chronology may not be always respected or needed eventually. Still, this case is in the heart of the debates. Economically, these types of cultural productions should gain enough revenue to cover all costs of production. Without that advantage film, book and music industry will stop releasing new products (Waldfogel 2018). Despite this fact, thousands of new books see the light each year, as well as thousands of new films are available on the digital platforms, together with the thousands of songs. However, “nobody knows anything”⁸ when it comes to the success or a failure of a newly released cultural content. There is no prediction, no ability to anticipate the result. There still remains a question: What could a digital revolution bring?

As Waldfogel (2018) states,

“digitization could bring about a digital renaissance. Whether it does bring about a digital renaissance depends on what actually happens in the aftermath of digitization.”

Therefore, this thesis gathers information from a different variety of sources to answer a question of both socio-cultural and economical importance: Does a digitization change creative industry policies? Beyond its interest, the response has indications for cultural policy makers and consultants.

The remainder of this thesis intends to answer the questions posed above. As already mentioned above, the thesis is concentrated on two cultural industries: book industry and film industry and the policies related to them. Chapter 1 provides a review of previous literature on the cultural policy making, as well as digitization. Chapter 2 and 3 are concentrated on the specific cultural policy, which is the fixed book price policy. In Chapter 2 I begin explaining how the book industry was operating before the digital era, how the fixed book price policy has developed and what were its primary goals and objectives. In Chapter 3 I study the digitization impact on the fixed book price policy and present the evidence from the industry. I dedicate Chapter 4 to the film industry and the media chronology policy in the digital era, as it seems one of the most affected cultural industries by digitization nowadays.

Before the Chapter 1, I devote the part of the introduction to the definitions of cultural industries, culture and cultural policies, since I believe they provide a solid ground to the future chapters.

⁸ expression made by the screen writer William Goldman in 1980s.

Defining Culture and Cultural Industries

Culture and overall cultural environment have a solid place in society. The value, importance and impact of culture is growing; therefore, cultural aspects became a determinate part of the societal development. Culture makes a large contribution to the national economy⁹. The cultural and creative industries generate a global revenue of 2.25 trillion USD annually together with the 29.5 million jobs worldwide¹⁰. Production, distribution and diffusion of culture are diverse and other businesses are also able to make a full use of them. Solid and diverse cultural sector works on a well-founded economic basis and strengthens creative economy.

My first task here is to understand how culture and cultural industries are determined.

What is Culture?

In the Universal Declaration on Cultural Diversity (2001), UNESCO defines culture as “...*the set of distinctive spiritual, material, intellectual and emotional features of society or a social group, and that it encompasses, in addition to art and literature, lifestyles, ways of living together, value systems, traditions and beliefs.*” This definition goes in line with the World Conference on Cultural Policies (Mondiacult, Mexico City, 1982), of the World Commission on Culture and Development (Our Creative Diversity, 1995) and the Intergovernmental Conference on Cultural Policies for Development (Stockholm, 1998).

Bell and Oakley (2014) define culture by using the term emerged in nineteenth century: “culture as a set of artistic practices or products, and culture as an anthropological signifying system marking human society off from nature”. It is somehow a way broad definition of culture and it is difficult to see the boundaries between the culture and anything else. Defining culture is difficult, so is translating culture into public policy ideas. It has always been a key question for policy makers who and under which conditions consumes culture (Bell and Oakley 2014). Cultural consumption was analyzed and studied by French sociologist Pierre Bourdieu under the term of *cultural capital*, meaning that specific cultural taste and knowledge can be transferred (through private lessons) from individuals to their children. This sense of cultural

⁹ OECD declares the absence of internationally comparable statistics of cultural and creative sectors.

¹⁰ EY (2015), Cultural Times: The First Global Map of Cultural and Creative Industries, CISAC – The International Confederation of Societies of Authors and Composers, New York, NY.

capital generates class conflict, by using certain forms of cultural consumption in the idea of preserving status difference (Bourdieu 1984). While not engaging fully in the ideas of Bourdieu, cultural policymakers have used his insights about transmission of cultural knowledge among generations. In the countries where their growth model is based on the technological innovation, as well as scientific and intellectual capital, cultural policy has become an important product (Menger 2013)¹¹. Menger (2013) believes that having cultural industries into the area of public policy, shifts it in another direction, making more wide-ranging ideological revision.

Cultural Industries Explained

Defining cultural industries are still in the process of debating. The term ‘cultural industry’ itself carries a “sense of the economic potential of cultural production to generate output, employment and revenue and to satisfy the demands of consumers” (Throsby 2001). There are different ways of understanding characteristics of cultural industries. It involves several models of classification, including the categorization of the UK’s creative industries policy strategy¹², copyright-based model approved by the World Intellectual Property Organization, also models derived from cultural studies perspective¹³, as well as a model adopted by UNESCO (Throsby 2008). All of them vary according to the configuration of the characteristics of the list of industries. One of most unique classification is offered by Throsby (2008) which classifies cultural industries according to the four circles so called *concentric circles*. It is based on the proposition that cultural goods and services provide two types of value – economic and cultural. It is a cultural value that gives cultural industries the most distinctive characteristic (Throsby 2008). His model suggests that different goods have different cultural content degree relative to their commercial value. In the center of *concentric circles* there are core industries that have a highest proportion of cultural to commercial content, followed by the layers extending from the center of the circle which have less cultural content relative to their commercial value. This categorization is listed below in the Table 1, also illustrated in the diagrammed shape in the Figure 1.

¹¹ European cultural policies and the ‘creative industries’ turn. Pierre-Michel Menger In Kerry Thomas , Janet Chan (Eds), Handbook Of Research On Creativity, Edward Elgar, 2013, chap. 32

¹² Department of Culture, Media & Sport [DCMS], 2001)

¹³ (e.g. Hesmondhalgh, 2002)

Core creative arts	Other core cultural industries	Wider cultural industries	Related industries
Literature	Film	Heritage services	Advertising
Music	Museums, galleries, libraries	Publishing and print media	Architecture
Performing arts	Photography	Sound recording	Design
Visual arts		Television and radio	Fashion
		Video and computer games	

Table 1. Classification of cultural industries by D. Throsby (2008)

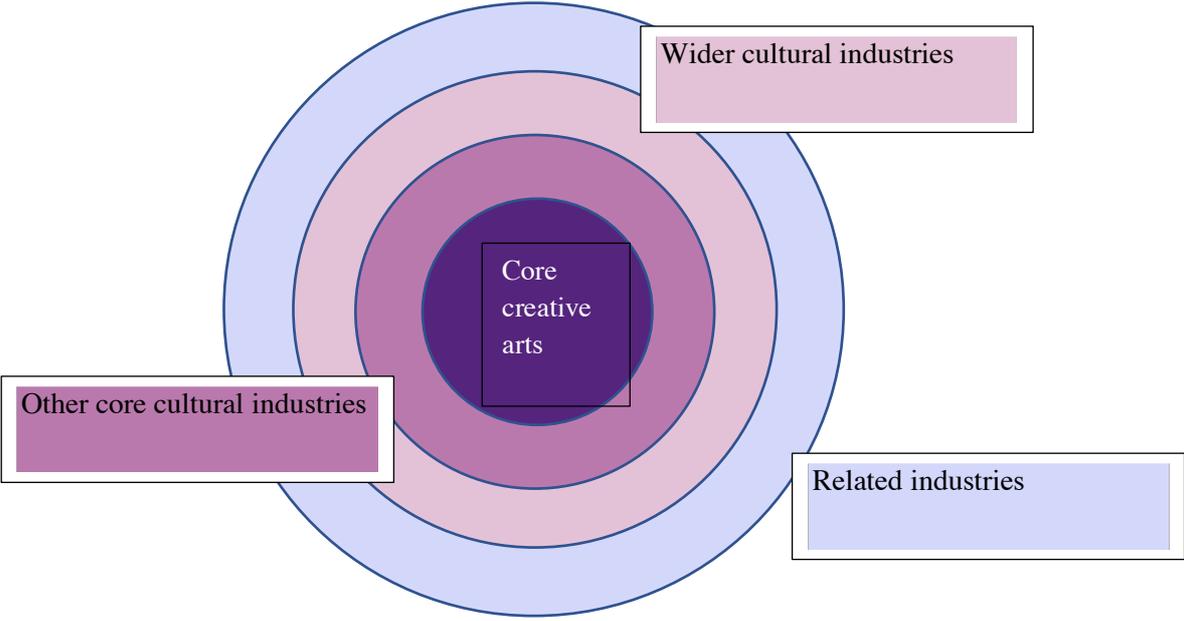


Figure 1. Concentric circles by D. Throsby (2008)

According to Throsby (2008), these characteristics support the connection of economic and cultural analysis of the creative sector, therefore strengthening cultural orientation of cultural policy and putting it as a part of the economic policy.

Apart of Throsby, another categorization of creative industries is offered by Potts and Cunningham (2008), who define creative industries according to the DCMS (1998) template as “a new analytic definition of the industrial components of the economy in which creativity is an input and content or intellectual property is the output”. They studied a dynamic relationship between creative industries and economy and classify it within the four models of creative industries. The model of Potts and Cunningham include welfare, competition, growth and innovation.

In the first model which is *the welfare model*, creative industries are assumed to have a negative impact on the economy, meaning that they use more resources than they generate. If this model were true, we would have a low growth sector together with the low performance levels.

Second model that Potts and Cunningham present is *the competition model*, where creative industries are hypothesized as ‘just another industry’, that is a leisure industry which does not provide high moral importance goods. It assumes that the growth impact is neutral and creative industries can only contribute no more than the average of other sectors, meaning that creative industries can be normally competitive. If this statement is true, there are no economic welfare benefits to treatment of special policy. However, this model does not exclude that creative industries are special industries in the sense of uncertainty of the demand, complex labor markets, as well as monopoly tendencies and property rights, etc. (e.g. Caves 2000, De Vany 2004). Therefore, creative industries can be comparable to other industries and can be treated with the same policy treatment as the rest of the sectors.

The third model - *the growth model* – sees creative industries as a component of an economic growth. It considers creative industries drivers of growth due to their role in engagement and adoption of new ideas and new technologies. Therefore, it is assumed that they encourage and create new industries together with stabilizing existing industries.

The innovation model of creative industries is the fourth model proposed by Potts and Cunningham, where the importance of creative industries is based on their contribution to new ideas and new technologies and therefore the ability to change. It supposes that creative industries are able to regenerate from existing industries and form new sectors as an outcome of creative activity.

Talking about new sectors and creative activity, from the perspective of cultural industry theories, Bouquillion (2014) defines a notion of creative industries as a generic category which bring together activities that are otherwise heterogeneous, but to which the shared symbolic dimension confers common specificities. His proposition is the increase in the symbolic dimension activities that have previously been removed from the field (in particular, communication industries, as well as fashion, design and artistic crafts whose symbolic

dimension also asserts). This tends to grow the links between sectors (for example, between artistic crafts and design or between recorded music and manufacture of electronic equipment). Therefore, it is likely that common feature of these activities will also be affirmed.

Chapter 1

Previous Literature on the Cultural Policy Making and Digitization.

1 Introduction

Influence of information and communication technologies has challenged cultural and creative industries, as well as policies related to them. Creation of new digital distribution methods and different ways of accessing cultural content has been a big concern for policy makers. All the cultural actors question the scope of digital revolution.

According to Benhamou (2015), cultural policy deals with three revolutions. First one is globalization, second is digitization and the third is a drastic revision of relations between the public economic sphere and the private sector. Globalization produces cultural diversity, such as works that originate from crossing of cultures (Benhamou 2015). Challenges generated by the digital devolution and technological shifts require policy makers to acquire new skills and knowledge to adjust to the changes and address the issues that have been generated as an outcome of technological developments. There should not be any mismatch between policy planning and implementation. There should be a better integration of policy-making process into the entire cultural industries that are concerned by digitization. That is a means of support a dynamic and sustainable creative sector. European Union member states in the partnership with the Council of Europe is developing policies that could fit the digital age. They offer multi-stakeholder platform for the practices and exchange of experience to the policy makers. Platform also produces insights for policy orientations. Ministry of Culture of France has been one of the first government institutions involved in the internet regulation since the 1990s.

However, implementation of a new policy is a long and very complicated task according to the administrative sociology (Chantepie 2017), especially when it comes to digital technologies. Its slow effect is because of the diversity of the outcomes of digital advancements. Furthermore, digital seems to intersect almost all areas of public policy – entire fields, industries and disciplines. So called “digital time of cultural policy” followed the stages of developments rising from the cultural research and public policy areas, therefore, digital culture has resulted in a policy that have altered just a little since the last decades (Chantepie 2017).

In this chapter I focus on the literature review of the cultural policies in the frame of digital revolution. First, I begin with the importance of cultural policy and its goals and objectives. Then, I describe cultural policies into the digital shift and what impacts did the digitization bring to them. In the final section, I orient the direction towards specific industries, that is book industry and motion picture industry, since these industries are the ones affected by the digitization the most¹⁴. In this regard I focus on the fixed book price policy (also called a resale

¹⁴ Together with the book and film industry, music industry is also affected by digitization a lot (Curien and Moreau 2006, Wikstrom 2020). However, in this thesis, I concentrate on the book and film industry.

price maintenance) and media chronology policy (also called a release window strategy). There is no literature that has raised the concerns on the efficiency of these policies in a digital era. Therefore, this study serves as an addition to the existing literature.

This chapter explores the idea of tailoring cultural policies according to the digital world. Previous research literature often contains the aspects of digitization and technological developments, but without a cultural policy touch. The goal of the chapter is to improve understanding of the need of cultural policy in a digitalized world, as well as to provide a literature review by collecting what has been done on this subject before.

2 What about the purpose of cultural policy?

Cultural policies were served means of construction ideas on national belongings, whether directly or indirectly, as a union of national objectives (Duelund 2003). In the first place, let us begin the cultural policy review with the notion of cultural policy itself, its goals and objectives, as well as its value.

2.1 What is cultural policy?

Cultural policy was originated from the period of the end of the World War II (UNESCO, 2015).¹⁵ Most of the academic effort in the pro-policy position has been built by writers¹⁶ associated with or close to Griffith University of Brisbane (O'Regan 1992), especially since the foundation of the Institute for Cultural Policy Studies (ICPS). These players, together with the Centre for International Research in Communication and Information Technologies (CIRCIT) call for the double reconstitution of policy, which is considered as an object of study itself but also a political site for analysis (O'Regan 1992). The debates are about what can be count as policy. What is considered as policy would also be limited in focus with the things which are called policy in political terms. These things together would establish tactical objectives for cultural policy (O'Regan 1992).

¹⁵ UNESCO and the coining of cultural policy. Conference paper by Gabriela Toledo Silva. 10th International Conference in Interpretive Policy Analysis 8 - 10 July 2015, Lille (France)

¹⁶ These are: Tony Bennett, Stuart Cunningham, Colin Mercer, Jennifer Craik, Ian Hunter, Toby Miller and Tom O'Regan

But what is considered as a policy? The simple definition of policy that is referred by the political scientists is the following: it is defined as what government “chooses to do or not to do” (Dye 1995), that means government’s action or inaction (Paquette and Beauregard 2018)¹⁷. Moreover, there is a traditional definition of policy offered by Lasswell (1936), that the policy is about “who gets what, when and how” (Lasswell 1936). Therefore, cultural policies are frequently explained as an outcome of one of these definitions of public policy (Paquette and Beauregard 2018).

More expressive definition of cultural policy was offered by Paul DiMaggio in 1983 who states that cultural policy is the policy that regulates “market place of ideas” (DiMaggio 1983). Here he clarifies that the term policy includes systematic consequences of government actions.

In 1994, Australian government launched a policy statement called *Creative Nation: Commonwealth Cultural Policy* (1994). It predicted that culture-driven economy is a perfect model for addressing “information revolution and the new media not with fear and loathing, but with imagination and wit. We have to see the extraordinary opportunities for enjoyment and creativity it contains” (Creative Nation: Commonwealth Cultural Policy. 1994). In addition, in this policy statement, cultural policy is also considered as an economic policy:

“This cultural policy is also an economic policy. Culture creates wealth. ... Culture employs. ... Culture adds value, it makes an essential contribution to innovation, marketing and design. It is a badge of our industry. The level of our creativity substantially determines our ability to adapt to new economic imperatives. It is a valuable export in itself and an essential accompaniment to the export of other commodities. It attracts tourists and students. It is essential to our economic success” (Creative Nation: Commonwealth Cultural Policy. 1994).

In addition, UNESCO indicates that cultural policies are catalysts for creativity since the cultural diversity is one of the important factors for development:

*“Cultural policies must create conditions conducive to the production and dissemination of diversified cultural goods and services through cultural industries that have the means to assert themselves at the local and global level. It is for each State, with due regard to its international obligations, to define its cultural policy and to implement it through the means it considers fit, whether by operational support or appropriate regulations.”*¹⁸

Over the years, there have also been some attempts to enrich previously explained definitions of cultural policies. In 2002, Margaret J. Wyszomirski proposed that cultural policies are “large, heterogeneous set of individuals and organizations engaged in the production, presentation,

¹⁷ In the book “The Routledge Handbook of Global Cultural Policy”

¹⁸ Universal Declaration on Cultural Diversity. Adopted by the General Conference of the United Nations Educational, Scientific and Cultural Organization at its thirty-first session on 2 November 2001.

distribution, preservation, and education about aesthetic, heritage and entertainment activities, products and artifacts” (Wyszomirski 2002). Followed by the definition by Kevin Mulcahy in 2006, cultural policy should not be limited within the boundaries of art policy, but should comprise areas of other activities, for example heritage and humanities (Mulcahy 2006). Moreover, Clive Gray (2010) proposed “the range of activities that governments undertake – or do not undertake – in the arena of culture”, as a definition of cultural policies.

Studies by Bennett (2005), Gray (2007), Belfiore and Bennett (2008), detect that public cultural policy has been led by evidence-based policy making (Bjorsen 2012). As believed, cultural policy is one of the essential aspects in the political organization of cultural diversity, as well as ethnic diversity (Saukkonen and Pyykkonen 2008). As a public policy, it legitimates and restricts the forms of cultural self-expression, generates creative activities, as well as gives resources to the forms of cultural and artistic activities. Cultural policies build and maintain conceptions of creative activity and accepted cultural self-expression (Saukkonen 2006).

Legitimacy is fundamental aspect in almost all public policy areas and cultural policy is not an exception. Creative Industries require Cultural Policies established by the government officials in order to be efficient and successful. Augustin Girard, Studies and Research Department of French Ministry of Culture, in his book *Cultural development: experiences and policies*, defines cultural policy as following: *"A policy is a system of ultimate aims, practical objectives and means, pursued by a group and applied by an authority. Cultural policies can be discerned in a trade union, a party, an educational movement, an institution, an enterprise, a town or a government. But regardless of the agent concerned, a policy implies the existence of ultimate purposes (long-term), objectives (medium-term and measurable) and means (men [sic], money and legislation), combined in an explicitly coherent system"*. (Girard, pp. 171-172). This analysis means examining how government regulates and supports arts, culture and heritage and how they play a role of means in economic and social growth.

In Europe, studies on cultural policies are mostly referred as *Europe of Culture* (Sticht 2000, Autissier 2005), or *Cultural Politics of Europe* (Shore 2000, Patel 2013) and there is *European Cultural Policy* (Denuit 2016) too.

2.2 Goals and objectives of cultural policy

One of the important questions to ask here is why does the state intervene in culture? Could not it exist in a market economy? What are the goals and objectives? Farchy and Sagot-Duvaouroux (1994) believe that market proves unable to meet part of the demand for cultural goods and

public authorities can use a part of public power that can lead to support certain industries in decline. In addition, cultural activities benefit a wider population than that made up of consumers of cultural goods and users of the institutions. However, the ideas of Farchy and Sagot-Duvaurox dates back to 1994 which is almost 30 years old. Afterwards in 1999, one of the biggest discussions on cultural policy making was illustrated in the document of the Council of Europe produced by Matarasso and Landry. The document organizes discussion around twenty-one dilemmas on cultural policy-making, which are oriented around five important themes – frameworks, implementation, economic development, social development and management. The goal of these themes was for the policymakers to resolve each point. It consists of the topics such as culture as the arts or culture as a way of life, cultural democracy or democratisation of culture, culture as self-justifying value or culture as development, direct control of insulation from the political process, cultural diversity or monoculture, and etc. Matarasso and Landry (1999) describe cultural policy making as a tightrope walking, which requires continuous adjustments to preserve a balance.

Nowadays, cultural policy brings together cultural, political and social features. General aim of the government cultural policy is to promote plurality and creativity, preserve and develop diversity and cultural environment, as well as to increase an equal access to culture. To do so, legislation, government programs and various policy instruments are required. For the European Union, national cultural diversity is a core principle. The goal is to support culture and make it accessible to everyone. Growing cultural products strengthen financial basis of cultural production that can serve both cultural and industrial policy goals. There are group of authors that pay significant attention to the value of culture. They believe that it no longer rests on the principles and nowadays it contributes to the noticeable economic impacts (Duelund 2003). Culture is soaked with market-oriented mentality (McGuigan 2004, 2009). Also, some believe that the traditional cultural policy goals and objectives (like enlightenment and education) have been surrendered by the economic impacts of culture (Duelund 2003). From an economic point of view, consumers appreciate diversity because each of them has a taste for diversity and also because they have different taste (Ranaivoson 2012).

One of the important goals of cultural policy is cultural diversity. Stirling (2007) defines diversity as three-component subject: variety, balance and disparity. According to him, being other things equal, when variety, balance or disparity increases, diversity also increases. Diversity can be assessed when its elements are grouped into categories. In that regard, variety matches to the number of categories, where balance matches to the ways how elements are laid out among the categories. Finally, disparity is the degree of difference between categories.

However, measuring disparity is a difficult task. Therefore, when analyzing media and cultural industries, it is seldom taken into account (Moreau and Peltier 2004).

According to UNESCO's report (2005), cultural diversity makes it possible to increase range of available choices. In addition, cultural diversity has a constitutional value within the legal space of Europe (De Witte 2008), as well as is an objective and a limit of the European integration (Barbato 2008, Schneider and Van den Bossche 2008, Ranaivoson 2019).

A significant discussion regarding the cultural policy objectives is proposed by David Throsby. Throsby (2010) discusses both cultural and economic goals of cultural policy, together with the key instruments for policy implementation. As cultural objectives, he identifies arts production and consumption, as well as cultural identity and symbolism as one of the main components of cultural values. Moreover, cultural diversity, preservation and continuity are also identified as cultural goals of cultural policy. In the *producing and consuming the arts*, excellence, innovation and access play a huge role: emphases are on artistic quality, fostering innovation¹⁹ in creative work, and broadening access to artistic consumption, therefore cultural participation. *Defining cultural identity* as a cultural policy goal lies under the recognition and celebration of national or local identities that can be expressed in terms of cultural value of recognizing who they are. Social aspects of cultural policy can be translated within the debates of cultural policy regarding *cultural diversity*. It includes a big variety of social characteristics of the arts and culture. The goal of *preserving and ensuring continuity* lies on the cultural value of heritage as a link to the past and a link to the future. In addition, continuity is reflected on how skills and knowledge transfer from the past to the future generations.

Regarding economic objectives of cultural policy, Throsby (2010) classifies efficiency, equity, growth, full employment, price stability and external balance as one of the key economic goals of cultural policy. The importance given to these economic objectives differ and is mostly a political matter that varies over time and over countries. Economists' ability to predict the future of economy and estimate policy outcomes is limited, meaning that it does not very much help policymaking. Therefore, according to Throsby, in most cases policy choices should be made on the faith and hope rather than on the confidence of succeeding particular result.

As cultural policies include economic objectives for development, UNESCO's report (1996) on *Our Creative Diversity* debates about the broadening cultural development concept from the "promotion of arts and cultural life" to "a policy for development...profoundly sensitive to and inspired by culture itself" (232). It states that:

¹⁹ According to Throsby, supporting innovation in creative work is similar to research and development expenditures in science.

“Economic development in its full flowering is part of a people’s culture. This is not a view commonly held. A more common view regards culture as either a help or a hindrance to economic development.”²⁰

While in the report on *Rethinking Cultural Policies*, discussion goes on the supply-led and demand-led policies (Wise 2002):

Cultural policies driven by nation-building objectives are being increasingly challenged by individuals and groups who may not necessarily contest this motivation, yet ask for their more immediate needs to be met first. Because of bureaucratic lags, however, the more participatory approaches that governments are ready to define are often out of phase with real needs by the time they are implemented. This is very likely to be true in the domain of cultural life, where change is rapid but policy rigid. A subtler shift in vision is the growing conviction that the state should not be seen primarily as a supplier of cultural facilities and services to the public. The reigning supplyside approach is expensive; it is also top-down and easily overlooks minority needs. Implementing a demand-led policy is more easily said than done, however. (239).

An interesting case is a division of cultural policy perspectives and therefore the objectives proposed by Duelund (2008). He divides cultural policy perspectives into two dimensions. First one is a limited perspective and the second one – broad perspective. In terms on limited perspective, cultural policies perform as tools of funding culture and arts, which in a practical sense is a choice of aesthetics, meaning which kind of a music, literature, visual arts and dance should be promoted in a society where mass consumption of real object occur. Thus, the goal of these cultural policies is to act as a system of proposals and strategies that provide tools and values for the society which helps to obtain a sense of national identity (Duelund 2008). In terms of the broad perspective, cultural policies deal with a clash of interests between strategies and motivations in society in the cultural arena. No political proposals emerge out of nothing and any cultural policy should correspond the values that population finds acceptable and possibly desires to see promoted (Duelund 2008).

There is another belief that contemporary cultural policies should reach the goal of completely taking economic benefits of culture that are based on the role that culture plays in a social inclusion, technological circulation and even health (Bakhshi and Cunningham 2016). Culture is a multiform in nature and its economic value is only the one direction (Bakhshi and Cunningham 2016). Moreover, cultural activities besides their spiritual and social contributions, generate more values to the nation (Caust 2003).

²⁰ Executive Summary: 15

One of the means for reaching cultural policy goals is through cultural participation. Cultural participation goes hand in hand with cultural industries, therefore the policies that are tailored to the cultural industries also contributes a lot in its participation. High level of cultural participation means stronger cultural infrastructure, therefore shows the traces where cultural policies might contribute in order to improve social coherence. Participate in culture provides individuals with the variety of ideas and greater diversity of options for social action (Stanley 2006). Relationship between cultural industries and cultural participation can be seen as a part of the culturally enabling environment's demand and supply side (Council of Europe 2017). It can refer to the intangible (cultural policies) and tangible (buildings, sites) conditions for creation a diverse and vibrant cultural landscape (Council of Europe 2017).

What is a role of state in this regard? Minnaert (2014) describes government as having two roles at once. The one role of a designer of cultural policy and the other of the participant, doubting if such a conflicting role is needed. In terms of cultural aspects, Bell and Oakley (2014) identify three important functions of state. These are a) prohibition, b) protection and c) promotion. In the idea of prohibition, state owns and controls the means of cultural production. It has an interest in promoting different form of culture while policing the ones which are illegitimate. Therefore, controlling cultural production and consumption takes place. In terms of protection, Bell and Oakley talk about the protection of national culture, which can take a form of preservation, meaning the protection of the past from disappearing. Here defensive nationalism can take place in order to protect what is considered unique for national culture. However, in this aspect there is a problem of freezing national culture. "National cultural policy objectives become intrinsically more difficult in a global context, in which local cultural expression becomes difficult to separate from the effects of Hollywood cinema, highstreet fashion, popular music, MTV and CNN. Cultural institutions seem less relevant when so much art and culture finds people by everyday routes" (Craik et al. 2003: 29).

At the same time, Dubois (2013) defines three principal policy objectives and rationales of cultural policy regimes. The first one is the protection of historic and artistic heritage. Heritage preservation resembles to the model of regulatory state. It also requires finding – public expenses for culture. Second rationale according to Dubois is the support of artistic creation, because market itself is not enough for promoting artistic creation, as well as the innovation. Cultural policy is necessary to create the conditions for these creations, promoting aesthetic and moral values above all. Finally, the third rationale Dubois talks about is the equal access to culture. It is an important component that made a European welfare states and is translated into the cultural policy goal.

As observed, the governments of Europe believe that culture cannot be left to the market (Van der Ploeg 2005). In the line with traditional industrial policies, public intervention can appear as a huge support for declining industries (Farchy and Sagot-Duvaurox 1994). However, this argument remains insufficient to understand the volume and form of public intervention. O'Connor (2010) describes cultural policy as a method of regulation and social control. It has a role in the affirmation of public value, wrapped up in power and social distinction. Also, as Bennett (1998) debates, such control and regulation are very productive. In the same period as Bennett, Farchy and Sagot-Duvaurox (1994) believed that public intervention is legitimized by market failure in certain productions (liberal arguments), by the economic impact of public cultural expenditure (Keynesian arguments) or by the need to protect a nascent or declining industry (industrial policy arguments). However, cultural policy analysis cannot be reduced to a strictly economic issue. Social and political justifications (such as democratization, decentralization, national cohesion, etc.) generally dominate economic concerns. After all, most of these ideas are decades old. In the following section of this chapter I analyze the process of shaping cultural policy making in line with the digital advancements.

3 What changes in cultural policy landscape due to digital technologies?

The process of shaping cultural policies that could fit a digital world raises its own dilemmas about the appropriate methods of assuming tasks. Contemporary cultural policies can be viewed as the sedimentation of former ones (Dubois 2013). A policy, that is developed in cooperation with the sector on which the implementation of this policy depends, has a bigger chance of being effective in practice (Matarasso and Landry 1999). Mattelart and d'Haenens (2014) raise the question whether the incorporation of the policies of the new communication platforms that are connected to the internet will alter the primary goals and objectives of these policies. When digital era and technological developments broaden their boundaries, further policy distinctions and priorities are predictable. There is a common consensus on the importance to promote and protect diversity in the digital era, in particular. Moreover, digital platforms have led to shape new forms of cultural participation. But how does digital advancement define cultural policies and cultural participation? What policy instruments are implemented? In the context of digital technologies, there has been a little research regarding public response to the evolution of new forms of cultural participation. Cultural policies have evolved during last decades and have encouraged the digital transition of cultural and creative sector.

Recent years have been unsteady in relation to the innovation and the transformation of cultural sectors is going to be deep and far-reaching. UNESCO's report of 2015 regarding digital issues²¹ suggests the guidelines for governing bodies specifically referred to digital technology. It is highlighted that digital technologies have brought important changes to the value chain of the creation, production and distribution of cultural good and services. However, digital environment has notably enriched cultural content, therefore improving the accessibility of cultural products. As a consequence, digital landscape requires new regulatory regimes and measures in order to ensure availability of cultural goods and services. Moreover, communication infrastructure is necessity in order to adapt to digital divides and finally, freedom of expression is considered to be an essential part of this process. Within the framework, adapting national policies to the digital environment had to be considered too, as well as implementing international cooperation mechanisms in order to promote the variety of cultural good and services. In addition, intellectual property rights and telecommunications should also be reconsidered. Back in 2002, Haley (2002) was wondering how literature, music and film would be produced and distributed to people in the age of digital advancements. The importance of property rights, as well as the laws regulating them was his emphasis. Both internet and copyright are powerful devices for driving innovation and creativity in the creative sector. European policymakers feel the responsibility to maintain cultural policies that serve to protect their cultural content, but also transform them in the way that could fit changing economic and technological environment.

Talking about technological advancements, it is relevant to mention that "every industry makes an increasing use of information and information technology", which lead to the reorganizations and making themselves more productive, therefore creating new ways of doing business (Belleflamme 2005). It is a notion of "information economy" by Belleflamme (2005). He defines it as two interrelated notions. First, it refers to the "industries primarily producing, processing and distributing information." Together they shape an information sector contributing in rising a share of wealth and creation of new workplaces.

Moreover, with the help of technological advancements, digitization has reduced the cost of content creation (Waldfoegel, 2012). Reduction in the cost of bringing new products makes it possible to retailers to carry additional products. It also allows creators to create more product, which will turn out the unpredictability of appeal of new products has a huge impact on the welfare benefit of new products (Waldfoegel 2017). Therefore, we should expect digitization to have an enormous effect of welfare benefit that consumers get from increasing number of new

²¹ UNESCO's report of 2015 – Towards Operational guidelines on digital issues

products. These welfare gains are substantial. It is relevant to mention Anderson's²² "long tail" theory, that explains the changes in the markets that occurred by becoming traded items digital rather than physical. According to him, an economic value of the product is found in what he calls a long tail. It is composed with the items which would not find its place in the physical world, but find their place in the distribution economy and the low-cost storage, which is made possible by internet (Genoni 2007). Low costs of digital production, digital distribution and digital advertising allow for bigger levels of differentiation and less concentrated markets, together with the low search cost on the demand side (Peukert 2018). Long-tail theory also explains that there is no physical limitation regarding online platform and it also expands economies of scale and scope (Ranaivoson 2019). The theory states that by promoting a diversity of supply, digital technologies make it possible to have higher consumed diversity as well (Ranaivoson 2016). Moreover, recently Aguiar and Waldfogel (2018b) proposed the notion of "random long tail". They believe that products which additionally appear to the market because of their low entry costs, are the one which consumer did not find interesting previously in the market. However, ex post demand is uncertain and nobody knows anything. In the prediction of ex post market demand producers occasionally make errors (Peukert 2018). Caves (2000)²³ previously detailed "nobody knows anything" principle in this regard. It is very relevant to the creative industries in general and means that there is a special uncertainty in the production and consumption of creative products. In addition to Caves (2000), Waldfogel (2017) uses this "nobody knows anything" principle to talk about the digital shift of the new product creation and its welfare effects. In this sense, some of the products that emerge randomly in the market, end up to be more successful than it was predicted (Waldfogel 2017, Peukert 2018). As digitization brings reduction in costs, producers of the creative content experiment more.

Recent literature has also studied that digitization is seemed to favour diversity. Recently, Bourreau, Moreau and Wikstrom (2021) introduced two dimensions of diversity, which is variety and balance. They deal with the disparity by studying to what extent the title entering in the top 100 are becoming more and more musically diverse in the digital era. Variety increases with the number of available products and balance decreases with the inequality in market shares. This diversity is affected by digitization both on supply-side and demand-side (Bourreau et al. 2021). It has reduced distribution costs as well as promotion costs with the help of digital platforms and social media. In addition to Bourreau et al. (2021), Peukert and Reimers

²² Chris Anderson first mentioned his concept of the "long tail" market in an editorial in Wired Magazine in 2004

²³ First remark of the "nobody knows anything" expression was made by the screen writer William Goldman. Later it has been elevated by the Harvard professor Richard Caves to the "nobody knows" principle.

(2018) show that increased digital cultural participation also increases number of entries and that more entry can rise the effectiveness of traditional institutions that are able to reach mass market of consumers both physically and digitally. Therefore, welfare benefits from the digitization may appear bigger than its predictions (Peukert 2018).

On the contrary, digital advancements may threaten traditional players in the cultural market. Some authors state that in terms of the supply and consumption, commercial strategies of the online platforms may lead to more homogeneity, rather than diversity (Guèvremont et al. 2013). Correspondingly, Goel et al. (2010) consider the high risk of the control over the access to cultural and creative works by the online platforms and that it may challenge the visibility and stimulation of marginal cultural works. However, it seems that when there is a competition that relies on the digitization, it leads to more diversity and that the internal competition between providers offer a broad variety of offers (Ranaivoson 2019). In this regard, the empirical literature is very scarce.

One of the key determinants of the digital cultural participation is intellectual property rights. There are lots of literature focusing in the absence of intellectual property rights and its effects on the consumer behavior. In this regard online piracy is quite an important issue. Mattelart (2016) considers piracy as a “complex socioeconomic phenomenon”. It affects the innovation, as well as the revenues expected from the content. Researches have studied the effectiveness of the measures, both as public policy interventions and private implementations, that have been carried about to fight against piracy (recent review includes Reimers 2016, Peukert et al. 2017, Batikas et al. 2018). Since the digitization has weakened intellectual property rights, some of the researches started to offer alternative policy tools. That is the study of Chen and Png (2003), that compared numerous government anti-piracy policy implications and found out that a tax on copying is higher to fining consumers. Also, at the same time subsidizing production that is original, is socially optimal. The is firmed the example of Dutch copyright system. Having a tax on the internet of less than two euros, keeps the revenues of music holders constant and at the same time leads consumer surplus to increase (Handke et al. 2016). The question regarding digitization, if it is a complement or a substitute of revenues in the industry, has been studied in many settings, from which books, films and music are more notable. Once again, importance of the intellectual property rights is colossal. It varies according to the cultural goods and its types.

In the production side, variety of policies have been directed to the modernization of some specific sectors of cultural industries, such as books, film, music and video games. These measures encouraged the digital production of the content. For example, in the book industry, Canada restored its book fund program to boost innovation in the book publishing industry. It

includes digital publishers and digital titles that are eligible for funding. Importance is given to the projects that have international focus and the ones with digital exports. In the film and audiovisual sector, new policies have been established in Slovakia, facilitating digitization of dozens of single-screen cinemas. Moreover, some countries like Tunisia, founded the National Centre of Film and Image that focuses on upgrading cinema theatres. In terms of the music industry, in 2016 France set up the fund that supports digital transition of recorded music. Its goal is to encourage modernization of companies in the sector. Policies regarding video games have been very dynamic too during recent years. For example, France has a support fund for the video games sector from the national cinema center (CNC). Also, in the case of Canada, its media fund offers a financial support to interactive productions.

In the distribution side, new regulatory environment has been created, together with the expansion of video on demand (VOD) and media digitization. Participating parties have revised their copyright legislation in order to be fitted in a digital world. In 2016, as an example, European Commission introduced a draft of the EU copyright rules in the aim to keep the balance between different players in the chain, also in the aim to offer transparency in activities between the creators of the content and online platforms. Moreover, different measures have been imposed in order to reduce internet piracy. It is the case of Spain, where Ministry of education, culture and sport has encouraged the implementation of intellectual property rights through a web seal. In regard with the distribution of film and audiovisual content, policy measures are directed to the diffusion via video on demand platforms. Examples include some Latin American film institutes that set up a special platform in order to disseminate local films throughout their region.

With the participation side, digital technologies began to be at the heart of cultural engagement. New technologies are seemed to be essential to achieve much bigger social engagement, as well as diversity of cultural expression, as indicated in the UNESCO's convention global report²⁴. It is also noted that the issue of digital culture and particularly, cultural diversity during a digital age is somewhat outgrowth in the public discusses, therefore having a strong media impact in this regard. Examples include seminars and conference all over the world, discussing big platforms on cultural trends, as well as the influence of global platforms on the creative industries and etc. There are some parties which initiated several programs intended to support digital culture specifically. Their essential task is to strengthen a relationship between new technologies and cultural ecosystem, therefore reinforcing their link.

Policymakers try to maintain an appropriate use of digital media. There are several policy

²⁴ Reshaping Cultural Industries. 2018

initiatives and regulatory regimes which try to control and therefore punish users that break a copyright law. Edwards et al. (2013) addresses the failure of the regulatory regimes which control user behaviour. Authors consider several policy and academic approaches to understand users and evaluate user resistance. At the same time, Murray (2010) believes that user resistance to copyright regulations is an example of an active role the community plays in negotiating internet regulations. He highlights that the ‘modalities of laws, markets, and norms draw their legitimacy from the community, meaning that the regulatory process is in fact a dialogue not an externally imposed set of constraints’ (Murray, 2010: 68).

UNESCO’s report on Reshaping Cultural Industries (2018) highlights that the arrival of digital technologies changes the value chain of cultural products. In a traditional model of value chain, cultural product creation is done according to the pipeline model, that is a process of creation, followed by production and distribution, then the access and participation. Each of this actor represents a specific stage, which is: creation, production, distribution, access, participation, adding a value to a product or service in each stage, then passing it to the other one in an arrangement of a pipeline. However, cultural value chain in a digital environment does not follow the same principle. It follows a network principle in which links are not stages but the nodes that connect in a real time. Here the data plays a huge role because it acts like a heart of a cultural system and a key player of creative economy. This principle is illustrated in the Figure 1 and Figure 2.

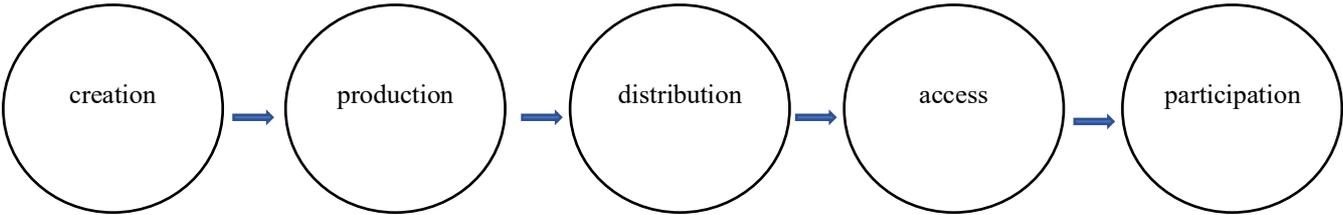


Figure 2. Pipeline configuration of a cultural value chain.

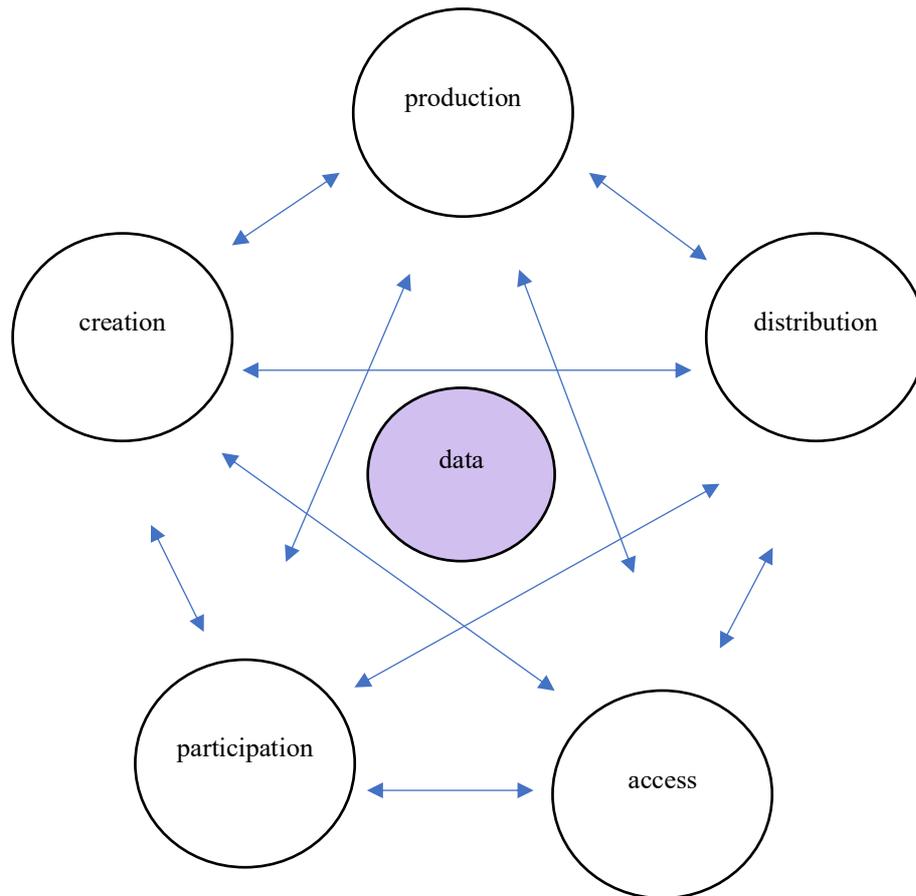


Figure 3. Network model of a cultural value chain

As exposed previously in this chapter, emerging challenges from digitization affect not only the creative value chain, but the whole creative sector. Digital technologies are changing the whole structure, therefore needing to form a new type of approach for policy creations. It raises questions about the central aspect of cultural markets – that is cultural diversity. As the structure of the original cultural sectors are affected, cultural diversity is still achievable (Benhamou and Peltier 2007; Farchy and Ranaivoson 2011).

Bourreau, Moreau and Wikstrom (2021) believe that on the one hand, digitization favors diversity – enabling lots of possibilities to invent new creations and on the other hand, digitization may lead to homogenization. They bring the case of music, where artists create new music for less costs but at the same time show how less costly it is to imitate others (Bourreau et al. 2021). Moreover, one of the contributions to this subject, Rone (2013) reveals the ambiguities of the challenge brought by digitization, also restricting copyright practices, as well

as inclusive models of distributing cultural production, that developed from the digital factors. Speaking of cultural production, Bakhshi and Throsby (2012) study how cultural institutions are able to use new technologies in order to improve their efficiency. At the same time Peacock (2008) examines the parameters that shape research around the relations between worldwide web and organizational life. In terms of the infrastructure shift in technology, Moe (2011) examines how internet platform developments challenge the perception of regulatory frameworks.

Digitization has been considered as revenue reducing rumor to many industries, yet digitization's effect on the production of the content is considerable (Waldfoegel 2017). There are lots of public policy response to digitization that have perturbed methods for fighting piracy, that threatens investment opportunities in the industry. However, only showing fallen revenue in a documentation does not seem enough to demonstrate the assessment of the copyright system or policy, its evaluation should be based on the proof of new content creation (Waldfoegel 2017). Still, it is a fruitful area for the further research.

4 Specific cultural industries and a digital shift

From a primary observation, nowadays digital platforms play a key role in the cultural industry economy since they act as a major medium for dissemination, promotion and monetization, also creation and production of culture related content (Bouquillion 2019). However, digitization gave a lot of struggle to the creative industries like film, music and advertising in the process of shifting analogue to digital platforms (Bugge and Oiestad 2014). Previous studies on cultural industries have also raised the questions regarding digital disruption. Benhamou (2015) debates about the disruptive economy, since the digital technologies disrupt cultural sectors, transforming consumption methods that affect a creative work. According to her, it destroys and transfers value, as well as jobs. Media industries that are protected by copyright are most disrupted by digitization. These include book industry, motion picture industry, radio and television industry and the music industry. In the following chapter of this thesis I focus on the book industry and film industry. Some participants (such as publishing houses and film studios) of these industries face huge challenges from digitization. Digital players with a powerful market power succeed in capturing a significant share of value (Benhamou 2015). In addition, digital technology is accompanied by an increasing polarization between the big and small players of the market. Some practices that we believed to be sustainable, collapse. Benhamou

(2015) focuses on a case of bookstores and videostores in this regard. Independent bookstores, that offer a real contact between individuals, are challenged by e-commerce.

How does current cultural policies deal with the digital world? Derive from the issues of bookstores, one of the subjects I cover in this this research is a fixed book price policy – cultural policy that concerns a book industry and especially bookstores. It became a vital in the digitalized era. Another case is a case of media chronology – cultural policy related to the film industry. The connection between these two policies is very tight. In most cases films are connected to the books – book can give a birth to a film (Benhamou 2015). Both of them are creative content that is a part of a creative economy and that is affected by the digital technologies nowadays.

4.1 Books

Book sector occupies a special place in the field of economy of the culture. Books are considered as one of the most valuable objects which are characterized by its cultural and economic nature, therefore their protection is to be recognized as a dominant requirement in public policy interest. This special character of books is widely acknowledged by policymakers, as well as the scholars. The mission of defining books as cultural assets that are protected legally, are one of the crucial tasks of cultural policy-making. There are different policy mechanisms that support book industry. Among them are legislative and economic measures - like fixed book price policy that ensures diversity and the vitality of the book market, also other mechanisms based on the authors' rights – like digital private copying and public lending rights. In this part of the study I focus on the fixed book price policy.

According to the Fixed book price policy, anyone who publishes or imports a book is required to set a fixed public selling price of this book. This system pursued several objectives. Originally, the first objective of the FBP policy is to have an equal access of the book for all citizens on the territory of the country. Next, maintaining a dense and decentralized distribution network of booksellers, especially in the disadvantaged areas serves as another objective of the policy; and finally, support pluralism in creating and publishing is another key goal of the FBP system.

Fixed book price policy has 40 years of existence. The rule of the fixing price to the public applies all year around, throughout the territory and to all retailers, meaning hypermarkets, wholesalers, press houses, traditional bookstores or online sellers. The law allows a limited reduction of 5% of the price. This price varies according to the type of book and must be

indicated on the book (mostly on the back cover). Exceptions are foreseen, in particular, a special reduction of 9% for sales of books to the local authorities, as well as educational centers and research institutions, also the libraries. Price lower than the selling price to the public are authorized on the books published or imported for more than two years and the last supply of which dates back more than six months.

But this reform did not go smoothly. For example, in France, before 1981, the sale of books was subject to free competition. Each bookseller alone decided the prices by applying the "recommended price" most often. The publisher indicated, either by catalog or on the book itself, the selling price of its works to the general public. The retailer could then freely set the amount (D'Amico et al. 2000).

However, with the developments of digital technologies and online commerce, are we able to keep the fixed book price policy? Booksellers, their unions and some publishers are mobilized to defend the book industry. The statement is simple. They believe that the book is a cultural good and not a consumer product like any other. To sell off the prices leads to a scarcity of the number of titles available, in favor of works with rapid rotation, reaching a large audience (best-sellers, guides, etc.). Despite that, there are lots of concerns about using fixed book price policy. Fixing prices postpones structural and functional change of the distribution chain without eliminating it (Monopolies Commission 2018). Because of the digitization and increasing internet consumption, the significance of traditional bookshops is declining, as does the services they offer. It is even possible that with the e-books European Court of Justice will declare fixed book price policy as incompatible - is mentioned in the 2018 report of Monopolies Commission. The Fixed book price supporters often argue about the cultural value of the books, as well as the public utility components integrated in the books together with the positive externalities they generate for society (Canoy et al. 2006; Ringstad 2004). Moreover, non-price competition between booksellers is strongly encouraged by the advocates of the fixed book price policy. At the same time Canoy et al. (2006) debate on the free market operation for books, because traditional supply chain (production, wholesale, distribution, retail) of books itself entails quite a big number of competitors competing in each stage. Giving the direct control on prices, publishers and booksellers use their monopoly power and impose high prices (therefore high profits) on bestsellers (Poort and van Eijk 2017; OECD 2014), using their monopoly control strategically.

With the implementation of new technologies, lots of arguments against the fixed book price policy has appeared. One of them is related to discouragement of the new techniques and innovative procedures, as it hinders the adoption of new technologies in the book market, for example e-books and other services offered through the internet (Ringstad 2004; Van der Ploeg

2004; OECD 2014). Nevertheless, as a result of a transfer of the books to the internet space, new players of the book market have emerged. With the digital publishing, digital publishing house distributors take control of the digitization and transmission, therefore the delivery of the e-books is direct to the customers.

Literature on the book publishing industry is divided by two dimensions – one about the firm level practical management of digitization (Dryburgh 2003, Taylor 2006, Carreiro 2010, Sabatier and Fitzelle 2011) and the other - on the digitization at the national or industry level (Mussinelli 2010, Licher 2011, Al Quasimi 2011). In addition, Boggs (2010) has studied the connection between innovation and policies in the publishing industry, but without taking digitization into account. Nevertheless, digitization embodies colossal challenges to the book publishing sector (Donoughue 2010). Bugge and Oiestad (2014) argue that publishing houses are two-faced in fronting digital technologies. Some theorization on disruptive innovation has underlined how the newly emerged technologies are able to rearrange entire industries and change existing business models (Christensen 1997).

Digitization effect onto the publishing industry can be several. First of all, it affects the existing business models of the industry. Bugge and Oiestad (2014) question to what extent does digitization change a business model of the book industry. The creation of the national network of distribution may shelter industry trends and cultural heritage, but it excludes new market players (Bugge and Oiestad 2014). Still, publishers are attached to existing business models of the industry and the traditional ways of distribution. Moreover, according to the same authors, digitization challenges the property rights and a low cost of duplication, as well as the distribution and storage. One of the key characteristics of the digital book publishing is the accessibility of content in different formats according to consumer preferences (Kleper 2001). However, not everyone agrees with the idea that digitization can change the publishing industry fundamentally and that the publishing houses can practice digital technologies as an enabling force (Martin and Tian 2010). This view is perceived in traditional booksellers which emerge as digital stakeholders together with the publishers which collaborate with online booksellers (Bugge and Oiestad 2014, Martin and Tian 2010). Moreover, publishers have been vigilant in their approaches towards the implementation of digital technologies. They understand the potential of new options and business models, as well as possibilities of new revenues that come from books which no longer go out of print (Tian et al. 2008)²⁵.

²⁵ The impact of digitization on business models for publishing: Some indicators from a research project

The industry support systems, such as VAT exemptions regarding printed books, fixed book price system laws and agreements, act as a strengthening regime, but they can also hinder business developments grounded on technological advancements (Bugge and Oiestad 2014).

Although sales of digital books are progressing, especially with the arrival of the e-readers on the market, the announced disappearance of the paper book has not taken place. Some of the papers on the e-book market discuss a “long tail” effect as a basis of value added for consumers (Brynjolfsson et al. 2003; Benghozi and Benhamou 2010; Moreau and Peltier 2012). A bit later, Benhamou (2015) investigated the main characteristics of the e-book market. She argues that the characteristics of the e-book market generated unfair competition between Google and Amazon and publishers. Growth in the digital sector has not compensated for the loss of revenue due to migration from books to e-books (Benhamou 2015). With the digital technologies, some stages – printers and brick-and-mortar retailers - have disappeared from the traditional value chain. Therefore, doubts are growing regarding the extent to which independent bookshops will be able to survive e-book market development (Benhamou 2015).

Above all, for some countries (for example, France and Germany), the price of the digital books has been regulated in the same way as the paper books. On the other hand, the online sales of books threaten the balance established since the adoption of fixed book price policy. The shipping costs is one of the first reasons in this regard. Many bookstores have a website and offer an ordering and delivery service, but shipping the books comes at a high cost (around 6.50 euros on average). At the same time, online book sales platforms, such as Amazon, offer very low shipping costs, at one euro cent, in order to compete with the ban on free shipping.²⁶

Key prediction regarding e-books was that it was believed they would replace traditional paper books and their consumption (Cameron 2019). However, Crosby (2019) argues that the reading experience that consumer gets from the paper books has goods characteristics and it does not translate well enough into digital formats. He categorizes three classes of book readers in this regard. The first one is the “technological adopters”, which are consumers who are willing to read both printed books and e-books. They are youngest in this classification. The second group is the “popular readers”, who demonstrate price sensitivity and their preference to the printed version of the books. The final group of readers is the “avid readers”, which shows the great willingness to pay for books. Moreover, Crosby (2019) talks about the recognition of the cultural nature of books. However, cultural policy makers and industry stakeholders are likely as interested in how consumers purchasing decisions are influenced by the cultural nature of the book (Crosby 2019). Government cultural policies are principally centered around

²⁶ In the case of France, the law of July 8, 2014

dissemination of national culture, as well as the protection of the culture. Its main goal is to promote consumption and the availability of cultural good and nation-specific content (Mas-Colell 1999, Crosby 2019).

4.2 Motion picture

During last decades, motion picture industry has been in the heart of economic research, since it possesses high economic importance in the global economy in general. In addition, it provides a testing ground for lots of industrial organization models, also theories and predictions, such as market segmentation (e.g. release window system of content release), vertical relations (e.g. contractual relations between cinema theatres and distributors), and firm strategy (e.g. release-date game controlled by distributors (Cabral 2019)).

Financial rewards of the motion picture industry are quite generous. This is mostly because of the large number of participants in its creation process, also a large-scale technical sources and different modes of product diffusion. The role of the state plays a significant role in legislating, funding and supervising this sector. Mostly, there are different important strategies that is believed to protect motion picture industry. The first one is the quota system, in order to be sure that local films are cast in the market according to previously defined quotas. There is also a subsidy scheme for the reason to encourage the production of new films, and there is media chronology policy (also referred as release window system), which is believed to protect theatrical exploitation of the newly released film. In this section of this study, I focus on the media chronology policy, which is in the heart of the debates during last years and which is considered as an essential protective mechanism of the cinema industry.

The purpose of the media chronology is to establish a minimum period between showing a film in the cinema and its circulation in other forms of media, especially in the video form. Traditionally, films are shown in the cinemas first and then different versions (Pay-TV, home video, network TV, etc.) are followed. A crucial aspect in the film release strategy is the lapse of time between its initial release in cinemas and its debut on video, which is called video window (Calzada and Valletti 2011), or release window. It is a very key feature of the motion picture industry and is regulated by the media chronology policy. Owen and Wildman (1992) were the first who theorized operation of video content window release strategies. According to them there are number of factors which may have an effect on timing of release windows. These are: differences in the size of audience, differences in per-viewer profit margins, as well

as interest rates and levels of piracy (1992:30). However, it was studied in the 1990s and since then technologies are being developed considerably. These technological developments affected film industry a lot and therefore, it is crucial to observe its impacts and finally provide a solution, if there is any, for the window release strategies in a digital era.

In the motion picture industry technological change and developments has been ongoing for several decades. Due to a rapid changes and economic relevance of the subject, it has always been a subject of great interest (Hababou et al. 2016). One of the main focuses is on the factors influencing box office at the first place, then a star power, as well as production budget and theatrical release (De Vany and Walls 1999, Basuroy et al. 2003, Moul and Shugan 2005, Hadida 2009, Simonton 2009, Elberse 2018).

Most important part of a motion picture industry which is affected by digitization is its value chain. It is consisted of three main processes: a process of production, process of distribution and process of exhibition, from which an exhibition is the key source of revenue for filmmakers (Eliashberg et al. 2006). However, with the emergence of digital platforms the whole scheme changes. Digitization suggests to the creators the opportunities of eliminating intermediaries and thus avoiding both market and revenue imbalances between the actors in the value chain (De Voldere et al. 2017).

As being said, growth of the internet usage and digitization has disrupted traditional strategies of the media chronology. An important player in the transformation of the release windows strategies is a growth of subscription services, like Netflix and Amazon. Netflix has a greatest impact on the film and TV industry. Its content is ready to use for customers for easy marketing. Studios and TV companies should adjust to the changes and content to catch up with Netflix. With the new digital technologies Netflix managed to offer its consumers the products which are easy to use and tailored to their needs and preferences. Its production policy is an outcome of a series of tactical choices developed in the early 2010s. Moreover, the level of development attained by Netflix is mostly because of the support of financial players (Bouquillion 2019). Netflix's differentiation strategy is based on the exclusivity, as well as their uniqueness granted on the SVOD market (Taillibert and Cailler 2021). Netflix's exclusive catalogue stands as the key point for its marketing strategy, also helps to build its policy on the basis of a business model that falls within a "distribution" territory (Taillibert and Cailler 2021). Moreover, its knowledge of own costumers permits to reflect customers' diversity in taste (Hongfei 2016). Also, Netflix's personalization strategy that is surely customer-centric, impacts diversity in terms of variety. That is because of the diversity of targeted audience (Kaysadi 2017). It collects consumers' preferences and reflects them onto the new content production or acquisition. This platform could be seen as a form of diversity by design (Helberger 2011). However, platforms

like Netflix mostly show more and more content that are based on consumer preferences and tastes, which in the time being creates clusters around specific genres, casts and etc. Therefore, this business approach may not stand as a guarantee of broader variety of content and hence the diversity in the long run (Kaysadi 2017, Ranaivoson 2019).

Some researchers believe that Netflix, one of the fastest growing online platforms, may become one of the important companies which can influence future policy issues (McDonald and Smith-Rowsey 2016). Its presence drew some concerns from lawmakers because of its ability to influence other forms of media engagement and financial models of media providers. This led to what Jennings et al. (2014) call a virtual Pandora's box of legal problems and policy changes. Netflix can be considered as a creative disruption since it broke existing patterns of behaviour of target audience and therefore made some radical changes in a media industry.

To my knowledge, there is no research studying how technological developments may affect the release window strategy and its usefulness in a digital era. Nevertheless, there is plenty of literature about illegal actions that digitization facilitates. In addition, protection of authors' rights also remains as a noteworthy concern. In this regard, we distinguish economic rights and moral rights. Economic rights are exploitation of the work and transferable. Authors are to be remunerated according to the proportion to the income generated through the transfer of their work and for each type of exploitation. It ensures the protection of the authors and participating professionals in the creation of the work.

With the frame of it, one of the most problematic challenges is the issue of piracy. Transmission and reproduction capacities have increased due to the arrival of digital technologies. Different from an analogue technology, digital technology is able to 'erase space and reward speed', that puts an end to the well-organized media chronology (Mattelart 2009). In this scenario, De Vany and Walls (2007) illustrate a piracy as one of the biggest problems of the film industry. They develop a model of piracy which permits early detection of it. Suggested model resolves several arguable issues about piracy and permits it to be detected in advance. Based on the study of the widely-released film, authors found out that the piracy has a significant effect on motion picture revenues. Strategies have been changed in order to reduce piracy level, however, in some cases pirated content stays available for couple of weeks or even months before its legal circulation in the media. Apart of the fact that digital piracy makes it easier to distribute and circulate illicit goods, nevertheless, digital piracy itself is one of the key ways to have an access to international cultural goods for those who have been excluded from globalization (Mattelart 2009).

Some interesting case studies have been analysed by Bounie, Bourreau, and Waelbroeck (2006), who identify segments of the film business which suffered from the digital piracy. They use the data on purchase and file sharing behaviour with the sample of 620 French individuals

and the results have shown that there is no statistical impact of the file sharing on the theatrical attendance. The most powerful effect of the piracy is on video purchases. However, movie piracy does not have any impact on video rentals for individuals who use prepaid pricing scheme for the video-stores. Likewise, almost similar survey was conducted by Rob and Waldfogel (2007) where they asked 500 University of Pennsylvania undergraduate students whether they saw the movie (150 movies in total) and what kind of channel (theatre, TV, purchase, piracy) did they use for the view of the movie. They found that unpaid consumption of movies reduces paid consumption by one-for-one basis. In addition to these studies, Bourreau et al (2018) study motivations for pirating movies on internet. They assume that digital movie piracy could be explained by two motivations - free content and recently uploaded materials (than it appears on legal platforms). Laboratory experiment has been done (comparing the choice of the illegal offer in "free" and "recent" treatments) and derive from it following findings were generated: The main motivator for pirating a movie from illegal platforms is the fact that it is free. The results show that the reduction of the release windows would not offer a solution to movie piracy.

Correspondingly, McKenzie and Walls (2016) study the impact of the peer-to-peer file sharing on the theatrical movie industry on the Australian case. They use a huge data set of torrent downloads and find the evidence of sales displacement effect on box office revenues. In the case of US and Australia, there is a release gap between these two markets and it is a key contributor to piracy in the early theatrical life of the movie. As a result, the finding can be the explanation for the coordinated worldwide release in the movie industry. Above all, exhibitor-distributor contracting practices is also important in the movie industry since its earliest days. Economics of contracting in the movie industry seems an interesting area for the future research. Also, globalization of the movie industry creates additional opportunities to open new windows to minority products and cultures. Something similar can be said in relation to digitization and new technologies (Finney 2010).

Digitization also raises distribution related questions (Hennig et al. 2021), which is the subject of the next chapters of this research. Optimized release strategies should be taken into account as the current industry environment has been changed. Despite the digital revolution has begun decades ago, media industry players still continue to adapt to these changes. This is the subject of upcoming chapters and is elaborated accordingly in the next parts of this research.

5 Conclusion

In this chapter I have shortly reviewed some important aspects of the previous literature related to the cultural policies and digitization. Cultural policies are intended to promote diversity. However, with the importance of digital technologies questions have been raised regarding the influence of digital advancements on the level of diversity. I have focused on the implications that the development of digital technologies has brought, as well as challenges associated to them.

It is obvious that technological improvements have affected cultural sectors with various concerns. Digital platforms may be considered as a new fate of cultural industries tangled within the information technology. It can mean that the production and consumption of cultural and creative products will somehow depend on the innovations within the technology industry.

Information and communication technologies (ICT) also play a non-negligible role in the policies (Mattelart and d'Haenens 2014). Digital revolution favored an instrumentalization of the digital category with the unchanged policy objectives (Negrier and Teillet 2014, Bellon 2019): the defense of domestic creative industries (Bellon 2019). The government still plays a role of a designer and of the participant (Minnaert 2014). But the question remains how the governments are able to bring a well-needed balance in the policy aspects. One of the concerns that has received least attention in the literature is the modification of cultural policies according to the digital world. Internet distribution and developed technologies have shifted the access of the cultural products, therefore their distribution and consumption too. It changed product characteristics and there is a great potential for policy changings. However, it underlines important challenges regarding the compatibility of policy structure for a digital world.

In the era of digital improvements and web-based media services, revisiting current cultural policies has become an essential matter. The logic behind a framework is that digital technologies are having an impact on the governance of the culture, especially on the goals of each cultural policy. Each of them is individually facing serious issues when it comes to development new strategies. In a period of rapid changes, it is useful to innovate with good practices, as well as well-suited policies that are developed and adjusted according to the needs of each cultural industry.

Moreover, digital era has also significantly changed the market entry decisions. Internet based distribution technologies highlights cultural preferences of individual consumers and then embodies this information into products. I have combined the existing literature and suggested some concrete research questions that are asked and answered in the following chapters of this

research. Those questions are important to answer in the discussion about the future of cultural policy.

Chapter 2

Assessment of the Efficiency of Fixed Book Price Policy. A Comparative Analysis.

1 Introduction

One of the important motivations for the Fixed Price of Book Policy in recent years has been the European Union's rejection of trade agreements and its acceptance of political regulation in the cultural field at a national level. Each European country is shaped in its unique way. Therefore, it is puzzling that some countries have a Fixed Book Price (FBP) policy for a long time while others have already abandoned it and the other half is intend to implement it. This issue hinders the diversity of goals of the FBP policy for different countries and it became as a main motivator of this research. Under the same tool (Fixed Book Price system) more or less different objectives are seen which makes this case attractive to investigate.

One of the main goals of the policy of fixed price of book is to protect local small bookstores so that they can benefit from the resale price maintenance since it protects them from price competition. This protection of some bookstores may be positive from a cultural point of view, but it also has some drawbacks. Innovation and the overall efficiency are injured when some bookstores cannot bring into play the price competition for increasing market share.

Taking into consideration current technological developments, the question is whether there is still a need of such a policy intervention in order to reach cultural goals. Hence the efficiency of FBP policy is needed to be assessed.

European countries have kind of a similar cultural objective for books. Generally, they promote reading and the production of literary books of a diverse nature. However, the extent at which free market is able to achieve cultural policy goals is uncertain and different across the countries. The most frequently used policy instrument in this case is fixed price of book policy, as well as subsidies and lower VAT. Economic theory may support a relationship between fixed book prices and the achievement of certain cultural goals, but it comes at the price of higher book prices and less innovation (Appelman and Van den Broek 2002). Thus, some countries use subsidies either for publishers, authors or bookstores. In this regard, the differences among the countries matter and that is why it is interesting to investigate country cases. Cultural policies are horses for courses and not one size fits all (Appelman and Canoy 2002).

This chapter sheds the light to the primary goals of fixed book price policy in a basis on country cases. Why is there a Fixed Book Price policy in some countries and do all the countries with FBP policy pursue the same goal? EU country cases are included in order to help to finalize comparative case studies. There are three countries which participate in this process. These are France, Germany, UK. France with UK and Germany shares most important book markets in Europe. While UK abandoned its fixed book price policy in 1995,

it still remains an interesting case to examine. At the same time France and Germany still continue using this policy by law and by private agreements which seems to be resourceful. The methodology of this chapter lies on the survey and extensive literature reviews. The design of the survey was built on the questionnaire and covered key goals and objectives of the FBP system for each participating country, also the views of government authorities as well as the national book publishers and booksellers associations. The questionnaire was substantially structured to cover missing data and information. As a result, it made possible to observe distinguished features of the country cases.

The study has shown that the primary goals of the fixed book price policy were relatively the same for France and Germany. They both guarantee survival of the richness and the diversity of culture embodied in books. In addition to preserve the dense and decentralized distribution system fixed book price supports pluralism in creative endeavors and also ensures the existence of a large number of the point of sales. Therefore, cultural diversity is maintained. However, the UK case has not been very similar to the previous two cases. Ensuring widest possible distribution of booksellers still remains as a crossing point, but the Net Book Agreement (NBA) did not consider a book as a cultural asset and for them supporting competition was one of the key goals of the agreement.

This chapter is organized as follows. Section 2 describes the FBP policy based on the history and implementation followed by the general goals and objectives of FBP. Section 3 reviews the existing literature regarding the FBP system. The cost and benefit analyses are given in the Section 4 together with some critical arguments. Section 5 explains the survey design and presents the results. Finally, section 6 concludes.

2 Fixed book price policy

2.1 History and implementation

Fixed book price system has a history of 150 years. It is also known as a Resale Price Maintenance. Most countries which have a significant book industry, established the instrument to fix the price at which the books are sold to public. Some countries (e.g. France and Germany) view this policy as an effective and flexible tool in preserving sustainable book industry, while in the Nordic countries the fixed book price policy is considered unproductive and irrational. Outside of Europe, this policy instrument is very rare. As in Europe, only

Sweden, Finland, Belgium, UK and Ireland have the book prices on the retail level freely set by the retailers. In addition, in some countries the fixed book price is limited to a certain period, for example in the Netherlands - for two years. It is reasonable to note that the countries with fixed book price policies are better able to maintain the quality and diversity of publications, while the amount of sales and distribution outlets has remained rather stable (Rønning et al. 2012).

Some studies have documented that in many of EU countries book market is exempted from the free competition mostly on the basis of the cultural point of view (Stockmann 2004). Table 2 shows the details of the fixed book price policy in the countries involved in this research. It includes the legal bases of the policy, as well as the duration of it and the maximum amount of the discount which could be given to the consumers or entities.

Country	Fixed Book Price Policy (FBP)	Legal Basis	Duration	Maximum Discount
FRANCE	Yes	Lang Law Since 1981	2 years after publication, 6 months after last supply to booksellers	5% (consumers), 9% (libraries).
GERMANY	Yes	Statute Since 2002	Minimum 18 months	No discounts ²⁷
UK	No (abolished in 1995)	Net Book Agreement From 1900 to 1995	12 months after publication	No discounts ²⁸

Table 2. Fixed Book Price System details (France, Germany, UK).

²⁷Discounts of up to 5% may be granted to research libraries, and up to 10% for municipal, state and school libraries, as well as churches and libraries belonging to the armed forces/ police. For school textbook orders, discounts are based on the volume and value of an order, ranging from 8% to 15%.

²⁸**Discounts of up to 10% may be granted to libraries if the bookseller has received a library license from the Association in respect of that specific library. Also, quantity discounts from 5% to 10% could be given for orders for assorted titles worth £250 or more.

Moreover, I have also constructed Table 3, that displays FBP system details in other countries of the European Union in order to see a general picture of the region.

Other EU Countries	FBP	Legal Basis	Duration	Maximum Discount
SPAIN	Yes	Law Since 1975	2 years after publication 6 months after distribution in bookstores	5% (consumers) 10% for Book fairs 15% for public entities
ITALY	Yes	Law Since 2001	20 months after publication and 6 months from last bookstore purchase	15- 20% for books sold during Book fairs
NETHERLANDS	Yes	Law Since 2005	Publishers can reduce prices every 6 months	5-10% discount for students
BELGIUM	No and Yes*	Abolished in 1981. *Half of Belgium has FBP law since January 2018	2 years after publication, 6 months after last supply to booksellers	5% (consumers), 15% (libraries and schools).
POLAND	Intends to implement the FBP Policy			

Table 3. Fixed Book Price System details for other EU countries.

Case of France

France's cultural policy places more emphasis on the cultural industries with a view to regulating the market (e.g. price regulations on books). Therefore, France is FBP's most brilliant representative. In 1924, France became the first to put book pricing in the hands of government. The Lang Law, which was signed in 1981, quickly inspired similar systems in the other countries of Europe. In 2011, the Lang Law was updated to include e-books, which is why Kindle Unlimited and other subscription services could be declared illegal. In June 2014, it encouraged another "Anti-Amazon Law," which forbids online retailers from combining the 5% discount with free shipping (as a result, Amazon has found the way to make the shipping fee 1 cent).

Case of Germany

Germany has approved the fixed book price policy by private agreements. It has a system of individual agreements between booksellers and publishers.

Fixed retail prices were incorporated into the statutes in 1888. Afterwards in 1958 Antitrust law includes a paragraph permitting publishing houses to fix book prices. Contractual book price system has been introduced in 1965 which had to be „watertight“, meaning publishers must bind each vendor to sell at the price the publisher sets. This system was in force from 1965 to 2002, when it was substituted by the law provision. Afterwards, the creation of the European market led in the following years to discussions mainly about the treatment of cross-border sales within the homogeneous linguistic area of Germany, Austria and Switzerland. Consequently, the cross-border agreement between these countries has been established and finally, in 2002 Price Fixing Law came into force.

Case of the UK

The United Kingdom was one of the first countries having a FBP system, but doesn't have one anymore. According to a report by the International Publishers Association, FBP began in the UK as pricing agreements made between publishers and booksellers in 1829. Afterwards, a nationwide Net Book Agreement came into effect in 1900. However, in 1995 Net Book Agreement collapsed after major publishers and retailers withdrew. In 1997, it was finally ruled illegal and anti-competitive. Currently, British independent bookstores are on a steep decline.

2.2 General goals and cultural objectives of FBP policy

The use of fixed book price system is often a topic of debates because of its mixed effects, with changes in policy as a result. Governments of EU countries have several cultural objectives regarding the books. Two main goals are more widespread. These are the promotion of reading and the production of books, meaning production of great diversity of titles. Moreover, in some countries, government authorities aim to have extensive network of booksellers that can be specified as wide range of book titles per outlet. This principle is mostly seen in the countries which use fixed book price policy. However, the lack of specification makes it difficult to evaluate the efficiency and effectiveness of this policy instruments to reach the cultural goals and objectives.

Several policy instruments are used in the need of promoting production of books and dense network of booksellers. These policy instruments are fixed book price, subsidies, lower VAT, etc. They are oriented on the authors, wholesalers, publishers, retailers and customers. The fixed book price policy is the most commonly used policy instrument. Most of the EU countries use this instrument to reach their cultural policy objectives, but there is no particular EU regulation regarding fixed book prices.

In this section of the chapter, I studied the primary goals of the Fixed Book Price system and generated the following objectives for each country participated in the research.

For *France*, the FBP policy goals include:

1. Promoting equality of all citizens vis-a-vis a given book, which is to be made available at the same price throughout the country.

This statement is confirmed by the following case:

According to the Lang Law of 1981 about the fixed book price policy, any person publishing (or importing) a book in France must set a fixed retail price for the book. The maximum discount that could be given by publisher is 5 per cent of the retailed price. Therefore, the same price is maintained throughout the territory of the country.

2. Preserving a dense and decentralized distribution system that is present in disadvantaged zones as well as more prosperous areas

There are around 25 000 book sale points (booksellers) in France, from which 15 000 businesses carry out regular book sales activities. For around 2 500 to 3 000 bookstores, books are the primary, as well as significant items for sale. It is important to highlight that the first 1 200 bookstores account 60 to 75 percent of publisher sales. Having a dense distribution system allows to have the access to any book at any area/zone of the country.²⁹

3. Supporting pluralism in creative endeavors, and particularly in publishing, of more demanding books

Pluralism promotes a favorable environment for creativity and therefore can be the facilitator for social and economic development. The French Publishers Association (SNE) defends freedom to publish in France and abroad. Thus, it undertakes several actions in this area: a) state publishing (the issue of competition of state publishers towards private publishers), b) interventions at the international level via the Freedom to Publish Committee of the International Publishers Association (IPA). In addition, SNE promotes an open conception of cultural diversity, which does not aim at isolating cultures behind protectionist measures. Precondition for cultural exchange is that each culture should be allowed to develop in its own

²⁹Source <http://www.syndicat-librairie.fr>

way with the support of public cultural policies. Therefore, in France, book sector benefits from the fixed book price system, as well as certain government subsidies and reduced VAT rates.

4. Preserve cultural diversity

French book market is very dynamic. Diversity of the published genres plays a huge role in maintaining diverse cultural landscape. France has yearly so called "rentrée littéraire", when publishers release and promote their top authors of the year, all in just a few months. The season normally runs from August to October. As an example, in 2017 there were 576 new novels released, of which 186 were foreign and 94 were debut novels. More than half of French book sales take place in the last four months of the year, and while other genres sell well, fine literature accounts for the biggest proportion. French publishers know that the diversity and quality of the offer, distribution and editorial prescription must control a fixed retail price, valid for all resellers regardless of their market power. In May 2011, they supported the adoption of a law on the fixed price of the digital book, binding on French and foreign firms for all sales made in France. This approach is part of a strong political tradition of regulating the book market.

As for *Germany*, primary goals and objectives of the FBP system are the following:

1. Protecting books as a cultural asset

For Germany, book is a cultural asset; therefore, the country facilitates to publish culturally valuable books. Normally, publishers make enough money from bestsellers to then be able to subsidize smaller runs of "riskier", harder-to-sell but culturally valuable publications.

In 2014, Grutters³⁰ administration spoke about the "ethical dimension" of protecting books as both "economic good" and "cultural property". "Literature, books, publishing houses ... are a foundation of our cultural life. They must not be subject purely to market principles. Dealing appropriately with these values also has an ethical dimension."

2. Ensuring broad variety of books published

In Germany books are considered as essential cultural good and the fixed book price system plays a huge role in dissemination of them. It fosters the variety and the quality of the books that are accessible to the consumers, confirmed by economic and legal studies commissioned by German Publishers and Booksellers Association. Alexander Skipis, Chief Executive of the German Publishers and Booksellers Association, summarizes the study:

"Germany's fixed book price system acts as a guarantor of quality and diversity on the book market. It is one of the factors contributing to Germany's reputation as a role model across

³⁰ The Federal Government Commissioner for Culture and the Media (BKM), Minister of State Prof. Monika Grütters, MdB, is responsible for cultural and media-related matters of the German federal government.

the globe and its status as the second-largest book market in the world. The findings show very clearly that fixed book prices fulfil their obligation to protect books, especially in the contemporary market situation.”

3. Warranting that this offer is accessible to a broad public through its promotion of the existence of a large number of points of sale (dense network of bookshops)

In Germany dense network of independent bookstores is more important than ever. Because of this reason, Minister of State for Culture launched the special prize in 2015 so called German Booksellers prize in order to recognize culturally oriented and innovative independent bookshops. The prize has been awarded to 108 booksellers.

“For almost 150 years now, Germany has had a system of fixed book prices. The system guarantees a dense network of bookshops that act as key locations for the dissemination of literature and as indispensable distribution channels, especially for small and medium-sized publishers. Precisely because of this key role, price fixing for books is also widely supported in the political sphere.” - says Alexander Skipis, the Chief Executive of the German Publishers and Booksellers Association.

Germany has one of the most culturally oriented bookstores in Europe. There are around 20 000 businesses attributed to producing or distributing bookshops.

4. Maintaining cultural diversity

Germany promotes conditions favorable to a diverse book market. Reduced VAT rate of 7 per cent applies on books and it helps to ensure that books are available and affordable for everyone. Moreover, diversity of the published genres is also important. Recently, most novelties published in fiction with 13 891 titles (which is around 19 percent of the total new titles published). In second place there comes German Literature with around 10 297 new publications, sharing 14.1 percent. The third position belongs to the Children's and Youth Book with 8 961 first editions. This segment plays relatively bigger role than few years ago, in line with the rising sales weight. By contrast, publishers have slimmed down their programs, especially in specialist literature, namely in the segment of arts and entertainment, history and geography, as well social sciences.

For the UK, Net Book Agreement had the following goals:

1. Supporting competition in a book trade

Competition between small independent bookstores and big book chains is considered to be essential for UK in order to ensure a free choice of consumers and the availability of a wide variety of options (whether to go to the big book chain, book outlet or to the small bookstore). This is mostly concerned with the market power that owners or companies may gain and the subsequent possibility of exerting influence.

2. Guarantying widest possible distribution of booksellers and thus for public too

In 1995, there were 1894 independent bookstores in UK. However, after abolishment of the Net Book Agreement, the number of independent bookstores has been declined. Nowadays, in UK independent bookshops are less than 1 000.

Table 4 shows the statistics of the decline of independent bookstores in the UK³¹.

<i>Year</i>	<i>Number of Independent Bookstores in the UK</i>
2018	883
2017	868
2016	867
2015	894
2014	939
2013	987
2012	1028
2005	1535
1995	1894

Table 4. Number of independent bookstores in the UK per year.

To compare these figures with France, France counted 3300 independent bookstores in 2017 (while having 3200 in 2015). This figure is more or less similar to that of the early 2000s. For all book sales, the independent bookstore remains at the forefront: with 42% of the market share. It is the first book sales channel in France. However, despite this "strong commercial vitality", says Guillaume Husson,³² "the bookstore remains a very unprofitable business". In terms of Paris area, according to the data from the Paris Urban Planning Workshop (APUR) published in March 2015, Paris had 756 bookshops in 2014 - a figure that includes general

³¹ Source: The Publishers Association

³² délégué général du Syndicat de la librairie française (SLF)

and specialized bookstores as well as bookstores, stationery and / or press (LPP) and sellers of used books.

As in Germany, there are approximately 4,700 classic bookstores (including branches), which are subdivided into 3,500 small, independent bookstores and 1,200 chain-associated bookstores. In addition, there are more than 1,300 book sales outlets where books do not form the core range but occupy a certain amount of space (e.g. gas stations, larger food retailers). There is an unabated strong, well-established medium-sized book trade in Germany. These include some regional chain stores, numerous niche bookstores, but also well-stocked general range, especially in urban areas. The number of bookstores which are member of the booksellers association goes back. The indicator for this is the number of member bookstores of the Börsenverein: it decreased from 4,422 in 2005 to 3,775 in 2010 and to 2,844 in 2017 (pure companies, excluding branches). Most member bookstores existed in 1999 (4,847 members). The reasons for withdrawing are different, with a large part of it being the task of doing business. However, new bookstores are being opened all the time. In 2017, 37 newly founded bookshops nationwide became members of the Börsenverein (2016: 45).

In 2002, the European Parliament has adopted a proposal for a directive which states that abolition of a system of fixed book prices would jeopardize books as cultural assets and would violate article 151 (4) of the EC Treaty (Draft resolution 2001/2061 (INI) of 11 September 2001). The Parliament motivates the positive approach towards fixed price agreements with the assumption that it will contribute to the cultural objectives on the market of books. In the resolution of 1999, the European Parliament declared the following statement:

*'Whereas it [The European Parliament] views books as both economic and cultural assets, Whereas it believes that the fixing of book prices, in which a number of Member States engage, safeguards the existence of numerous independent publishing houses, helps to preserve and promote varied literary production, freedom of opinion and independence of research, science and teaching and – in common cross-border linguistic areas – to promote the European idea and ensures, without direct or indirect government aid, a dense network of bookshops, giving the reader an extensive, high-quality and easily accessible supply of books.'*³³

Generally, government aims at more reading of books, more production of books and a more extensive network of booksellers than the market would produce by itself (Appelman, Canoy 2002). But the question is, would the market perform better in terms of the cultural goals and objectives without a government intervention? On the contrary, internet may be regarded as a substitute of bookstores for people who search for a particular book and for the consumers

³³European Parliament Resolution, 2002, p. 6

who are price-sensitive. In this case, internet booksellers come to action. Therefore, market may meet the goals concerning the publication of book titles and their distribution in the future.

However, some countries have a gap between the cultural policy objectives and cultural performance and they vary according to them. That is why some countries find the policy instruments unnecessary to reach their objectives. Furthermore, technological developments also play a huge role in formulating policy instruments and setting the goals. It is a political choice of the governments to decide whether use the intervention methods or to take a risk of no intervention.

Is the fixed book price policy really effective? How could it contribute to the cultural objectives for the book market? At a first glance, countries with a fixed book prices perform better in this sense than the countries without it. But country case characteristics influence these indicators and they should precisely be investigated. With the possible positive effects of the fixed book price policy on the network of booksellers and production of books, comes number of disadvantages. There are no obligations in contribution to cultural goals, as well as fixed book price can discourage reading due to its relatively high prices in the market (Appelman and Canoy 2002).

Finally, considering recent technological developments in the book market, the question is if there will still be a need for policy instruments such as FBP to reach cultural goals in the future. For example, the internet is an additional proficient way to make books available to consumers, which may result in reducing the need for an extensive network of booksellers. The optimal option of policy instruments is not identical for all countries. It mostly depends on the cultural-political preferences and the specific characteristics which determine market outcomes. Therefore, the extent at which market can achieve cultural goals is uncertain and varies according to the country cases.

3 Previous literature

Fixed book price policy has important cultural means. It is hard to find any convincing support for the argument that fixed book price is better than free book price, even as means of cultural policy. Ringstad (2004) defines three main strategies, such as (a) theoretical studies, which are based on economic theory and include how pricing system has an effect on cultural aspects of books and the efficiency of allocation of resources, (b) comparative studies, by comparing

cultural and economic performance of the book market in countries with different systems, (c) ex ante/ex post studies, which is based on the comparison on economic and cultural effects of a change system, while having some limitations such as “other factors” which take place during the period preceding and following the change of system. However, none of these strategies are powerful. More research is needed to get more precise and definite conclusion. Additional empirical information and evidence is required (Ringstad 2004).

On the contrary, Perona and Pouyet (2010) describe the evaluation, current situation and the effect of the fixed book price. Economic analyses of the consequences of the fixed book price are described with the help of theoretical and empirical works. They identify how the resale price impacts the book market and highlight the possibilities for the public actions on the industry. Fixed book price intervenes in the relation between the publisher and retailers essentially. The effect of the fixed price is defined by number of agents such as price, number of published copies and number of titles, while at the same time depends on the industrial structure of the sector such as type of actors, size and concentration. Fixed book price favors the survival of small bookshops while developing national bookstore chains, also provides booksellers with the possibility of financing to maintain their funds and promote new works. With the possible positive effects of the fixed book price policy on the network of booksellers and production of books, comes number of disadvantages. According to Appelman and Canoy (2002) these disadvantages include first of all, no obligations in contribution to cultural goals. Secondly, fixed book prices can discourage reading, since it can lead to higher book prices (which are very undesirable since the value attached to book reading in cultural policy is very high). Authors believe that the reason for the higher prices is that booksellers are not free to lower the price of book titles for which there is low consumer demand. This reduces their willingness to keep those books in stock and sets prices of slow-moving books above market equilibrium. Another disadvantage of the fixed book price is connected with the ban on price competition it entails. This reduces the incentive for dynamic efficiency, because innovative booksellers cannot win market share with lower prices (Appelman and Canoy 2002).

However, Stockmann (2004) provides some arguments which justify fixed price of book policy, such as preserving and promoting varied production, dense network of bookstores, and easily accessible supply of books. But there are no good statistics about the price level of books in different countries. Authorities believe that free prices lead to lower prices for the consumers.

In many EU countries book market is exempted from the free competition mostly on the basis of the cultural point of view. Book trade has undergone a concentration process and, in many countries, a small number of big publishers have a very high market share. The market for

books can be characterized as relatively typical oligopoly situation. Middle sized publishers have often been bought by bigger companies. Alternatively, there are often hundreds of small publishers. Stockmann (2004) supports the idea of comparing similar countries while taking into consideration some additional information such as the size of the population, policy carried out by the public sector regarding culture and other cultural factors as well.

Benhamou and Peltier (2007) provide a definition and methodology to assess cultural diversity in terms of publishing industry. They state that cultural diversity should be measured with accurate metrics relying on variety, balance and disparity, which by itself includes the categorization according to the title, genre and original language. They raise the question - Does publishing policy of French firms favor cultural diversity? If it's judged by the variety, the answer would be yes. According to this measure, emphasizes is given on the increase in the number of titles published. Finally, they note that with respect to categorization by title, the variety supplied is greater than variety consumed. As a result, it is difficult and sometimes impossible to enrich all the dimensions of diversity at the same time.

Van Der Ploeg (2004) emphasizes that fixed book price agreement increases book prices while reduces book sales. Even though individual actions produce pareto-optimal outcomes, there are still some reasons why book market does not function effectively. He believes that the Fixed book price may be bad for democracy of culture since monopoly prices and cross subsidies may be paid for by ordinary people reading ordinary books. Emphasizes are made on government failures to set the objectives for fixed price of book. That is why it makes tricky to evaluate its success. Moreover, cultural goods (such as books) benefit from technological advances and internet provides quite a useful approach for searching and reading the books. As an example, Dutch fixed price policy is given. Van Der Ploeg (2004) believes that fixed price of book agreement hurts the interests of buyers, especially the ones with lower income. Also, one should be more concerned about the number of well stored bookshops rather than the diversification of published titles. Fixed price of book hinders internet suppliers trying to sell books. Still, other monopoly positions will be eventually undermined by technological changes.

There were also some debates on having a common fixed book price system in Europe. Regarding the harmonization of the book policies, Appelman and Canoy (2002) believe that it is not going to work in Europe. The focus is motivated by the lack of knowledge about effectiveness of policy instruments and also the fact that fixed price of book is controversial on the policy world. Would the market perform better or worse in terms of cultural objectives without government intervention in the future? The internet can contribute to the availability of books and can reduce the need for an extensive network of booksellers. Assessing the

effects of fixed book price within a country is a difficult task. The data will not show the reason of booksellers to cross-subsidize – out of commercial interest (fixed book price not needed) or out of cultural interest (fixed boom prices contributes). Disadvantages of the fixed book price, such as (1) the arrangement has no obligations to contribute to cultural objectives, and (2) fixed book prices can discourage reading, since it can lead to higher book prices (Appelman and Canoy 2002). The fixed price can contribute to the production of books and a dense network of booksellers, although the extent of the contribution is uncertain.

Finally, according to Littoz-Monnet (2007) European Commission have been successful in Europeanising the book price policy area by making use of juridical and regulatory powers. It was capable of developing the liberation of book sector as an autonomous agenda, and playing a decisive role in policy making process. In most policy areas related to cultural affairs, French government played a more active role than other EU governments, just because French policy traditions were more often challenged by EU institutions' intervention those that of other EU states. As a result, the developments in the book policy sector demonstrate that a similar pattern can apply to other member states, such as Germany, when the latter feel equally rushed by EU-level policy developments.

4 Pros and cons of the fixed book price policy

4.1 Cost-benefit analysis

The attractiveness of FBP system lies on the fact that it enables market players to contribute to the cultural political objectives without any risk of government failures. On the other hand, negative aspects of the instrument relate to the restriction on competition, which results in higher prices and reduces incentives for innovation and efficiency. Appleman and Van den Broek (2002) find out some of the disadvantages. First is the lack of focus of the instrument as means of reaching cultural objectives, where cultural political need for the instrument is limited to unprofitable books. Second, market players are not committed to using the revenues from higher margins for the benefit of cultural objectives. Therefore, in order to reach concrete cultural objective, every instrument has to be shaped accordingly.

In terms of the economic argument of the fixed book price policy, it is believed that FBP may solve the problems of coordination among upstream and downstream firms and increase

profits available for these firms. In the case of prices, there is the possibility that each firm sets its own price which will result in a very high final price, meaning higher than the profit maximizing price³⁴. Therefore, each firm sets their own price higher than the marginal cost with the goal to get higher profits. As a result, uncoordinated market power at both retail and wholesale levels reduces profits of the firms as well as economic efficiency. However, upstream and downstream firms are able to increase aggregate profits by implementing contract provisions that lower the retail price. Thus, having the retail price lower leads to benefit consumer and increase economic efficiency as well.

Alternatively, elasticity of demand for a book is different across various publishers, as does the marginal cost of selling to different groups. It entails that at some point it may be profitable to charge different prices for different purchases of the same product. Even if the fixed book price system is widely used in some countries, its adoption entails costs and benefits for publishers. Retail prices promote retailers to offer point-of sale promotion but it also hinders price discrimination by the distribution channels. This tension between the interests of publisher and retailer illuminates with fixed prices of books, also the key features of the fixed book price system.

There are also some important benefits from the fixed book price system that have to be noted. For the publishers, it allows subsidization of the less popular books by fast selling books and therefore it enables publisher to have an extensive range of titles available on the market. Fixed book price gives a certain security to the publisher and it makes possible to publish the literature according to its interest, which means attracting new authors and thus make a valuable addition. Publishers believe that the abolition of fixed book price policy would lead to more concentration in the retail field. Therefore, traditional small bookstores with a very good customer service may have a threat of going out of the market and replaced by the giant booksellers and chain bookstores. As a result, concentration would be made on the big cities and the countryside would stay without any bookstores.

Benefits of resale price maintenance for booksellers are that they can use the protected retail margin on the high sales of best-sellers to finance the losses of unsuccessful book titles in stock (cross-subsidies). However, this has its disadvantage with the publishers - it reduces the incentive of booksellers to improve profitability of their choice of book titles in stock. It is also important to highlight that without the fixed price, booksellers would be obliged to calculate the end-price of each book by themselves and it would lead to increase their costs, as well as it would be the reason of having fewer books stocked with small sales figures.

³⁴ This refers to the double margin theory (Spengler 1950, Mathewson and Winter 1983a).

The benefits of the FBP from the cultural perspective include dissemination of culture, such as a wide variety of books, large range of small and big publishing houses and etc. Moreover, efficient logistics system has a big role in maintaining strong network of bookshops, which promote diverse and colorful variety of books. It is believed by the publishers and booksellers that the fixed price preserves a wide range of bookstores and as a result books, as a cultural product, are brought closer to the population. Having a big variety of books offered by the traditional bookstores is believed as a diffusion of culture, because such small bookstores create a special atmosphere where consumers pay attention on the books in a different way - they discover new titles that they would not know otherwise and they would never find in a supermarket. Consequently, without having a fixed book price system, some parts of the country would have stayed without bookstores and therefore dissemination of cultural would not be attained.

4.2 Critical arguments

The reasons of introducing a fixed book price system reveals how specific countries adopt protectionist cultural policy as a defense of language, literature and culture in general.

Lots of arguments have been to justify the fixed book price system. The clearest reasoning in support of FBP system is summarized in the Rothley Report (2001, 5)³⁵ as following:

"C. Whereas in its last resolution of December 1999 the European Parliament declared as follows:

Whereas it views books as both economic and cultural assets, whereas it believes that fixing of book prices, in which a number of member states engage, safeguards the existence of numerous independent publishing houses, helps to preserve and promote varied literary production, freedom of opinion and independence of research, science and teaching and - in common cross-border linguistic areas - to promote the European idea and ensures, without direct or indirect government aid, a dense network of bookshops, giving the reader an extensive, high-quality and easily accessible supply of books,

D. whereas the resolution called on the Commission

to recognise and leave untouched national and regional measures to promote books, including the fixing of book prices, which is better than any other system at improving the production

³⁵ <http://www.europarl.europa.eu/sides/getDoc.do?type=REPORT&reference=A5-2002-0039&language=EN>

and distribution of literary works without competition being eliminated (Rothley Report 2001, 5). "

Regulatory regimes are somehow different in each country. One of the main reasons of this differentiation is that these countries serve different language markets which are shared with another language markets in the other countries. It is important to note that different countries are a bit complicated to compare and sometimes these comparisons are not completely reliable and sometimes they are even hard to access. Countries of the European Union are also different with regard to how the national book markets are structured, to which degree publishers in each country are local or international, also whether they import and export books, etc. Therefore, my analysis of the experience of different countries of Europe should be considered against the backdrop of understanding of the individual country distinctive characteristics. These distinctive features involve:

- Regulatory regimes of the country, meaning if a country has a fixed book price system or a free book price system;
- Publishing industry structure of a country (considering the size, competitive situation and etc.)
- Distribution system of a country involving booksellers, online booksellers, libraries, wholesalers, etc.

For already quite some time, book industry in Europe has a steady development and growth in the number of new publications released each year and generally in print runs and sales. In Europe, around 600.000 new titles are published annually. Technological improvements are being followed from all sectors of the industry. Publishing houses seem to be prepared for these developments and expect to succeed in new platforms for the sales and distribution. However, there is still some uncertainty of the situation of booksellers. The effectiveness of the regulatory instruments is connected to the analyses to which booksellers are able to survive in different countries.

In addition to that, when the market gets more concentrated, publishers face an increasing pressure for growing rebates and possibly difficulties to remunerate authors in an appropriate way. Without a strong and diversified distribution network, the market tends to focus on a few titles with huge discounts, to the detriment of more original or difficult titles.

"There are two basic economic forces in the relationship among bookstores and publishers. The one is the role of the individual bookstore which takes a most portion in promoting product-specific services and the other one is the differing nature of demand among groups

of customers".³⁶ These factors expose themselves in the debate over the resale price maintenance of Germany around one hundred years ago. The arguments about the promotion and special services for the RPM seem well-matched for the book trade and it also explains its historical development. There is high rate of the introduction of a new product and role of bookstores in the promotion process. *"Resale price maintenance can foster the promotion of books, but it can also protect some types of retailers from competition by competing channels"*³⁷.

In the absence of fixed book price, one can observe a "price war" and practices of loss leaders by retailers with dominant positions, such as supermarkets or Web giants. Sales of "best-sellers" and sales to libraries partly do not go through booksellers anymore. Indeed, booksellers cannot afford to offer the same discounts. As a consequence, they cannot finance the rest, i.e. the majority of books with a low turnover, and cannot make a profit. One of the several reasons why NBA has collapsed in the UK, maybe the most powerful influence and a huge growth of retail chains (like Blackwell's, Dillons, and Waterstones) which took almost 30% of the British book market. Moreover, 1/3 of independent bookstores have closed in the UK over the last 10 years. Regarding prices, since the end of the NBA in 1995, prices only went down on the best-sellers, i.e. 1% of the titles; but prices increased for the rest of the offer, creating a sort of two-speed market. Since then, in general, book price rises of +50% outstripped the cost of living of +28%.

5 Survey design and results

Multiple sources have been used to complete this study. It includes the surveys with several authorities in three countries, as well as extensive literature review and policy reports.

³⁶The citation from Bittlingmayer, G., 1988, Resale Price Maintenance in the Book Trade with an Application to Germany. *Journal of Institutional and Theoretical Economics* (JITE), Vol. 144, No. 5. 789-812

³⁷The citation from Bittlingmayer, G., 1988, Resale Price Maintenance in the Book Trade with an Application to Germany. *Journal of Institutional and Theoretical Economics* (JITE), Vol. 144, No. 5. 789-812

5.1 Survey design

In-depth interviews (time frame - February, March, April 2018) have been held with the key players involved in the fixed book price system. These are a) government officials b) national book publishers associations c) national booksellers association.

Table 5 gives the structured interview details.

Participants	Date	Interview Type
France	March 2018	- Face-to-Face Interviews - Interviews by email
- Government officials - Booksellers Association - Bookpublishers Association	April 2018	
Germany	February 2018	- Face-to-Face Interviews - Phone Interviews
- Government officials - German Booksellers and Book Publishers Association	March 2018	- Interviews by email
UK	March 2018	- Phone Interviews - Interviews by email
- Government officials ³⁸ - Booksellers Association - Book Publishers Association	April 2018	

Table 5. Structured interview details

The design of the survey was built on the questionnaire and covered the following dimensions:

- Key goals and objectives of the FBP system for each country
- The view of the national book publishers and booksellers associations
- Some statistical data information needed for the further research

In order to gather more data, the questionnaire was substantially structured to cover missing data and information. It made possible to observe distinguished features of the country cases. Therefore, number of questions has shaped accordingly.

Questionnaire for each country is presented below.

³⁸ It was almost impossible to get in touch with the Government officials of the UK. Therefore, in this part we rely on the information and data of the official webpages of government bodies.

Questionnaire for France

Ministry of Culture

- What was the real goal of the Fixed Book Price Policy in France?
 - According to you, why FBP policy of France is considered as one of the successful models of this policy? What are your key successful elements?
 - How can the fixed book price system be survived? Is it still necessary to maintain it? Why?
 - How do you think France should maintain its cultural objectives in a digital era?
 - How could you imagine your county without having FPB in action?
-

National Association of Booksellers

- How does FBP system effect on maintaining dense network of booksellers (according to your experience)?
 - Which kind of advantages does FBP policy bring to you? How could you imagine the life without having this policy as a law?
 - How do you measure the importance of FBP on the cultural diversity? How its primary goal is achieved?
 - How do you imagine the future of the small bookshops? Do you find them as an essential source for cultural diversity?
-

National Association of Book Publishers

- One of the main roles of the fixed book price system in France was to have more titles published. How does it really work in practice? How the primary goal of this policy is being achieved? How FBP system affects the number of titles published?
-

-
- What does FBP policy bring to you? What are your real benefits?
 - Would you like to have free book price system instead of fixed price system? Could it bring you more freedom? why?
 - How do you feel to be controlled by government/policy?
 - How do you consider the future of publishing houses in a digital era? How could you maintain the amount of publishing titles so that they do not decline time to time?
-

Questionnaire for Germany

Government Officials

- The role of the fixed book price system was to protect local bookstores and have a dense network of booksellers, as well as having more titles published. How does it really work in practice? How the primary goal of this policy is being achieved?
 - Is it still necessary to have fixed price system? Why?
 - How do you evaluate the need of FBP policy in a digital era? Could you imagine your county without having this policy in action?
-

National Association of Booksellers and Book Publishers

- How does Fixed Book Price (FBP) system effect on maintaining dense network of booksellers (according to your experience)?
 - Which kind of advantages does FBP policy bring to you? How could you imagine the life without having this policy in action?
 - How do you imagine the future of the small bookshops?
 - Would you like to have free book price system instead of fixed price system? Could it bring you more freedom? Why?
 - How do you feel to be controlled by the policy of FBP?
 - How could you maintain the amount of publishing titles so that they do not decline time to time?
-

Questionnaire for the UK

National Association of Booksellers

- How does free price system effect on maintaining dense network of booksellers (according to your experience)?
 - Which kind of advantages did Net Book Agreement bring to you in the past? How is the bookstores life going on without having this policy in action?
 - Which kind of threat do you feel coming from free price system? What kind of ways you see is a solution/way out?
 - How do you imagine the future of the small bookshops? Do you think they will disappear eventually?
 - Would you prefer to have fixed book price system instead of free price system? Could it change something for you?
-

National Association of Book Publishers

- Net Book Agreement collapsed after major publishers withdrew. What is the detailed story behind it?
 - Which kind of advantages did Net Book Agreement bring to you in the past (if it had brought you any)?
 - Which kind of threat do you feel coming from free price system?
 - Would you prefer to switch back to fixed book price system from free price system?
 - How do you imagine the future of publishing houses in UK?
-

The survey was sent to the special authorities and informed them about the project in order to get a help from their side. Interviews were especially useful in terms of providing country case examples, go in depth of each argument and finally fill the gap in this regard.

5.2 Results

In order to assess the efficiency of the fixed book price policy in given European countries, the goals and objectives of this policy instrument in each country has been studied. This was followed by the results deriving from each country case and their comparison.

In France the book market has been the subject of specific regulation since 1981, the "Lang Law" which provides for a "Fixed price" scheme imposed by producers to distributors. The book has not been the subject of a technological revolution but on the other hand the printed book suffers and will increasingly suffer the competition of multimedia (internet but also computer systems custom). The objective of The Lang Law was intended to support and encourage reading and literary creation. In order to increase the consumption of the book, it was considered that access to the book should have been facilitated, for example according to the advice given by booksellers and etc. It should not have been discriminating: the price paid for the same book must be the same throughout the territory of the country. In addition, the fixed book price was intended to help maintain a network of traditional bookstores to stimulate reading and to promote -through the disappearance of price competition - the production and dissemination of quality works whose turnover was slow.

Indeed, one of the arguments in favor of fixed book price system price is the maintenance of a deconcentrated, non-homogeneous distribution network. For books, it appeared to the legislator that the lack of regulation could lead to a market dominated by homogeneous retailers, offering no service and practicing very low prices reducing the margins of both producers and creators. In the French book market, as mentioned, FBP system has a strong viewpoint to appreciate it.

As for Germany, in 1888 booksellers succeeded to bringing to an end the free book price system and RPM was implemented. It was intended to protect small booksellers from the price competition. Assessing pros and cons of the resale price maintenance in order to achieve right outcome is a bit complicated task. In Germany, the lawmaker made a policy value judgment in favor of having RPM ensuring a diverse, nationwide supply of cultural good, in this case – books, to the public. This goal could not be achieved without the fixed price policy which seemed very profitable for publishers, booksellers and authors themselves. Furthermore, RPM helps to sell popular books at a guaranteed price therefore assisting to finance books which are not in a big demand. In addition, RPM not only ensures the nationwide book trade structures, it also gives the chances to small booksellers and innovative publishers to enter the market.

In 1995 in the United Kingdom, due to the decision of some big publishers regarding the withdrawal from the agreement, NBA was abolished. Approximately a year after, most part of British booksellers would not like to return to the fixed price system. According to the report of Francis Fishwick (1998) ³⁹ shutting down the NBA has not had an important effect on the number of booksellers. It affected mainly outlets selling a narrow variety of popular paperbacks. The report highlights that the effects of abolition NBA on list prices was confined to the list prices of best-selling hardback books, while paperback list prices were not affected at all. However, after the NBA elimination, huge book chains and book supermarkets offered significant discounts on list prices. As an example, the average discount was between 25 percent to 35 percent.

Empirical findings from the analysis of the fixed book price system based on the three country cases (France, Germany, UK) are given in the Table 6.

<i>Country</i>	<i>Results of the FBP policy</i>
<i>France</i>	<ul style="list-style-type: none"> • Equal access to books all over the country • Dense network of booksellers • Stabilized prices
<i>Germany</i>	<ul style="list-style-type: none"> • More and more titles published (in 2018 around 67.000 new titles published in France, while in Germany newly published titles in 2018 were around 71.000) • Cultural diversity achieved
<i>UK</i>	<ul style="list-style-type: none"> • Small bookshops started to shut down due to price competition from big supermarkets/bookchains • Big supermarkets/book chains take most of the profits • Focus is made on the “best-selling” titles • Low prices only for “best-sellers” • Around 188.000 new titles published (in 2018)

Table 6. Results of the FBP policy

³⁹Report into the Effects of the Abandonment of the Net book Agreement.

It is important to go in the details of each result of FBP policy for each country. As for France and Germany results of the FBP policy are more or less the same:

Equal access to books all over the country - Bookstores all over the territory of the country are well supplied with the diverse titles. Argument is firmed by the national booksellers associations, declaring the availability of the books all over the territory.

Dense network of booksellers - In France there are around 25 000 points of sales of books, while in Germany around 20 000 points of sales of books are spotted. As a result, books are easily accessible all over the territory of the country.

Stabilized prices – Because of the selling price of the book is defined by a publisher, it must be known to all public, therefore it is indicated on the book. The average price of book stays in the range of 11-13 euros.

More and more titles published - In 2016 around 77.000 titles were published in France, while in Germany newly published titles in 2016 were around 85.000. This trend is slightly increasing for France (around 82 000 new titles published in 2018), but slightly decreasing for Germany (around 80 000 new titles published in 2018). However, it is not as impressive as the one of the UK (which is around 2.3 times more). At the end, *cultural diversity is achieved*.

For the UK, abolishment of the Net Book Agreement generated the following causes:

Small bookshops started to shut down due to price competition from big supermarkets/bookchains - In 2014, the Bookseller's Association reported that the number of independent bookshops in the UK had fallen below 1 000, based on its annual membership figures. Between February 2013 and February 2014, the number of had fallen from 1 028 to 987 and over a third of these had closed since 2005 (when there were 1 535 in the UK). The Bookseller magazine suggested that: "Independents have been suffering from rising rents and rates; less trade as high streets suffer and customers are deterred by parking charges; and competition from supermarkets, online retailers and readers migrating to e-books." By November 2015, the number of independent bookshops - based on the Booksellers Association's membership figures - had fallen to 894.

Big supermarkets/book chains take most of the profits - The number of stockholding bookshops has decreased, but the number of outlets devoted to books has grown enormously. Supermarkets and other non-traditional outlets have increased their sales and range of books and the ending of RPM has also enabled internet bookselling to become established and take a large market share. Certain sectors have been affected, especially high street bookshops, newsagents and the specialist library supply market.

Low prices only for “best-sellers” - British Booksellers Association in one of its reports declares that discounting has been widespread, though chiefly focused on bestsellers from the major publishers. By some measures, book prices have risen at above the level of inflation. However, the actual average selling price has gone down.

Around 188.000 new titles published (according to the data of 2018) - And there are more and more titles published. This case can be explained by the fact that UK exports its books to the other English-speaking countries. The number of new titles published has continued to grow year by year. Print on demand and digitization (e-books) are enabling almost anyone to become a publisher and are also preventing books from going out of print. Given the important changes in the bookselling and publishing arena and the global market for English language books, it is extremely difficult to assess what changes in the market can be attributed to the ending of RPM in the UK.⁴⁰

The following table - Table 7 - shows the number of newly published titles in the UK⁴¹, France⁴² and Germany⁴³ from the year 2006 to the year 2018.

It is important to note that the UK data includes both new titles and revised titles. The UK does not provide a breakdown between new titles and revised titles.

	UK	France	Germany
2006	115953	57728	81177
2007	135177	60376	86084
2008	155953	63601	83381
2009	162712	63690	81793
2010	170038	63052	84351
2011	191565	64347	82048
2012	190861	65412	79860

⁴⁰ Booksellers Association (BA)

⁴¹ Source: World Intellectual Property Organization.

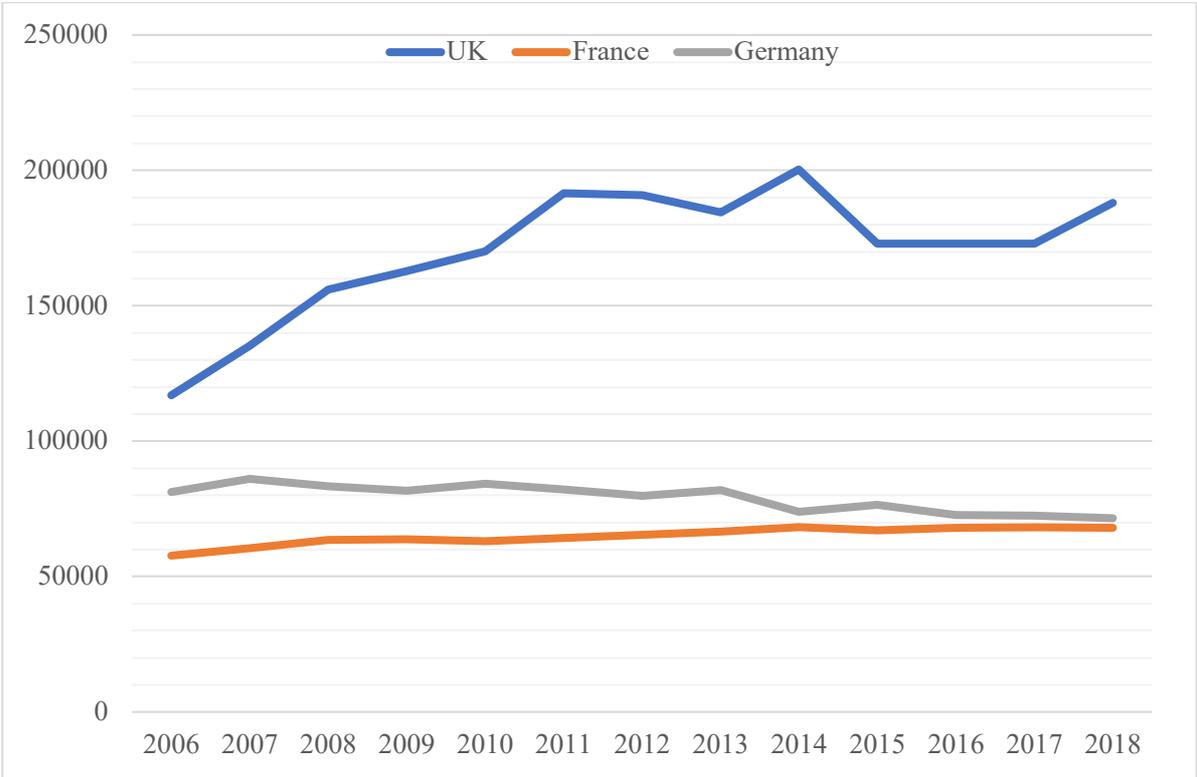
⁴² Source: Statista 2018 and Ministry of Culture of France (together with the Observatoire de l'économie du livre)

⁴³ Source: Statista 2018 and National Association of Booksellers and Book Publishers

2013	184435	66527	81919
2014	200330	68187	73863
2015	173000	67041	76547
2016	NA ⁴⁴	68069	72820
2017	NA	68199	72499
2018	188.000	67942	71548

Table 7. Number of titles published per year by country

Together with the previous table, I include the following graph - Graph 1 - which illustrates the fluctuation of newly published titles through the years (2006-2018) in the UK, France and Germany.



Graph 1. fluctuation of newly published titles through the years (2006-2018) in the UK, France and Germany.

⁴⁴ NA indicates not available.

From the graph we observe that since 2006, the trend is null in France and Germany and positive in the UK. Since, for some countries one of the effects of Fixed Book Price policy is considered to be a growth in newly published titles, according to the graph we observe that for the growth in new titles FBP does not appear to be a necessary condition.

6 Conclusion

As we have observed, the situation in the European book market is characterized by the differences between countries. Countries with the FBP policy put the emphases on promoting diversity. Historically speaking, FBP policy regulations were based on the previous experiences demonstrating that free competition leads to price wars, together with the profit lost for distributors and local bookstores closure. For the society, this decline was portrayed as a decrease in cultural diversity.

It has already been highlighted one of the main purposes of the fixed book price system as being a protector of national literary production as well as cultural diversity of a particular country. Additionally, FBP may also have other objectives and purposes in the regard of cultural value of books regardless of its form of production and format. European system which governs literature is mostly based on books as printed medium where the distribution chain consists of the author, publisher, printer, distributor, bookseller and reader. In this regard, national fixed book price policy regulations govern seller's relationship with publisher and customer.

Main argument of supporting the fixed book price system lies on cultural grounds, where the fundamental idea often is that "culture" and "the market" are enemies. Therefore, market should be shaped in a way for benefit of culture, in this case - books. Fixing book prices lead to more book titles of cultural value published (Van der Ploeg, 2004).

Comparative analysis of key countries in the regard of fixed book price policy experience shows the evidence that FBP has a positive cultural effect which is not seen under the free price system. This refers to the dense network of booksellers, as well as the diversity of distribution channels and large variety of titles and genres published. However, a FBP policy does not appear as a necessary condition to have a growth in new titles. Regarding the price changes under FBP and Free book price system, research has shown that average prices rise

in the countries with free prices compared the ones with FBP. Moreover, under the free price system, authors' rights seem to be less protected.

As a conclusion, the country cases show that the primary goals of the fixed book price policy were more or less the same for France and Germany. They both ensure survival of the richness and the diversity of culture embodied in books. In addition to preserve the dense and decentralized distribution system fixed book price supports pluralism in creative endeavors and also warrants the existence of a large number of the point of sales. Therefore, cultural diversity is maintained. However, the UK case has not been very similar to the previous two cases. Guarantying widest possible distribution of booksellers still remains as a common point, but the NBA did not consider books as a cultural asset and for them supporting competition was one of the key goals of the agreement.

In the countries with FBP policy, the authorities cannot imagine their system without this policy. Not having FBP in action would cause lots of damages for both socio and economic part of the country life. If doing so, lots of bookstores would disappear and thus cultural landscape would also collapse. Bookstores are democratic places where people have aesthetic and intellectual debates. This kind of cultural spots are needed to share ideas, debates, and culture to each other. They are not just the beautiful places, but the essential spirit for the nations to survive.

Currently, European Commission is uncertain in fixed price system and believes that it might hurt a free flow of goods between countries. However, it accepts the national systems of fixed book price and gives its own argument as FBP is a linguistic diversity in Europe.

Appendix

1 Case Studies

1.1 France

France adopted its Fixed Book Price law in 1981. The key elements in French Book Act are diversity, availability and cultural value. The main objective of the Fixed Book price policy in France is that all over the country books should be sold at the same price thus ensuring citizens to have the equal access to books. The second objective of FBP policy is to maintain very decentralized distribution network mostly in the areas where customer base is limited. Thirdly, FBP system supports and promotes the diversity of publications.

It is important to highlight that in March 2009, the Hervé Gaymard Committee submitted a report to the French Ministry of Culture and Communication about “the situation of the book”. Gaymard analyzed the significance of the Fixed Book Price policy as an essential tool for the existence of small bookshops in France. The Book Act was not adopted just to protect the income of publishing houses but to ensure customers to have an access to a proper distribution system. It ascertained the fact that books had never been as accessible as they are today. When compared to the situation in the Great Britain after collapsing the Net Book Agreement in 1955 French bookstores maintained their complex structure derived from local independent booksellers.

FBP policy is considered as a marvelous opportunity for booksellers to increase their earnings, but according to Gaymard the emergence of large-scale bookstores is believed as a disadvantage. After all, FBP system still creates favorable conditions for maintaining cultural policy goals. According to the French Book Act individual book is a unique cultural product of a high cultural value.

In the interview, current head of the department of the Economy of Book at the Ministry of Culture of France, Mr. Gimazane, highlighted three main objectives of the fixed book price system in France. The first objective is that every citizen has to have the equal access to books all over the country, meaning that people living in the high mountains or less inhabited places still have the same access of the cultural goods (in this case, books) as the other citizens living in big cities or metropolis. Therefore, having the same fixed price on books all over the territory of the country. Second objective is "animation culturelle de la territoire". Before the

adoption of the Lang Law in 1981, the book prices were very strict and aggressive. That is why it was necessary to regulate free prices, but the bookstores themselves could not regulate by their own. There was economic, as well as cultural danger for the country if the local bookstores had been shut down. Finally, the third objective described by the French ministry of culture is to maintain cultural diversity ("diversité de la production éditoriale"), meaning the diversity of bookstores, diversity of the books and titles published, new creations, etc.

French editors played a huge role in formation of the law. They were the first promoters of the law and therefore remain key successful elements for France in this regard. It is true that France has a particularly huge number of products available (775.000 titles in France). But beyond the number of titles, FBP is more related to the importance to have as many ways as possible for readers to discover them via a strong and diverse network of booksellers, as they play a unique role in discoverability of books.

In addition, there are several benefits that FBP policy brings to France. These are a) cross-subsidization, b) no "best-sellerization", c) affordable prices. Cross-subsidization can be done by booksellers between best-sellers and more specialized titles targeting a smaller audience. There is still a competition among them, not on discount, but in terms of the variety of books showcased, the location, the advice or the quality of services. Besides, authors benefit from this system as their remuneration is based on a percentage of the retail price. "Best-sellerization" phenomenon is not widespread in France. In 2005, the top 20 best-sellers in the book sector represented 1.7% of the sales in value; whereas they represented 16% of the market in the UK, and 20% in the DVD sector in France. As a result, fixed price system results in the sale (and presumably) reading of a wider range of the books. France is believed to have affordable prices on books and thus there is no inflation of book prices. It is important to highlight that between the year of 1998 and 2008, the price of books increased half as much as the consumer price index and four times less than the construction price index.

In France, the book remains a non-expensive product: the average price is 11€ (the price of a movie theater ticket in Paris). This is also a positive system for the state because book is a cultural sector which gets the smallest amount of subsidies. Thanks to this system, France managed to maintain an exceptional cultural diversity of the book offer and a stability of the industry. There are approximately 10.000 publishers from which 20 are large houses with a catalogue of at least 5.000 titles, while about 5.000 are small-scale publishers with fewer than 10 titles in their portfolio. Some of these publishers (660 publishers) are members of the French publishers association, SNE. This is one of the strongest and most diverse networks of booksellers in the world. It ensures the equality of citizens in terms of the access to books. It

is also notable to mention that the book publishing contributes € 2.6 billion (€ 3.9 billion in sales price) to the French economy.

1.2 Germany

German fixed book price system is in existence since 1888, which became a statute in 2002. Its application includes books, e-books, music scores, maps, globes (but not audio books). However, it is not applicable to cross-border sales, as well as for the temporary access. In Germany, FBP system mechanism works in the way that a publisher or importer sets the retail price. Nevertheless, prices may be changed by publisher; also, it can be cancelled after 18 months from publishing.

German Book Act serves to protect book as a cultural product. Simultaneously it ensures the availability to a broader audience. For Germany, the fixed book price system is one of the essential tools available for protecting and promoting books as a cultural product. FBP policy is based on three conditions which are first of all a) books as a cultural development product for individuals and for the overall society, b) dense network of booksellers with broad variety of books thus effectively promoting spread of book as a cultural item, c) achieving above mentioned goals and therefore maintaining cultural diversity.

Certainly, German fixed book price law shows clear evidence of needing the broad network of bookshops and especially the books to be able to reach more remote areas. There are some remote places where bookshops might not survive and reach more people. So how does the fixed book price policy achieve this in case of Germany? Dr. Sanger, Deputy Head of the Legal Department at the German Publishers and Booksellers Association, during the interview highlights some essential aspects in this regard. The first important aspect is that there is no price competition between individual book shops. Books cost the same everywhere and none of the customers have the discount. The other important aspect is that bookshops need to be able to reach their books to the customers quickly. Behind that there is a well-organized logistics system and the distribution system of the wholesalers which needs to be functioned well in order for the bookshops to be able to get all these books quickly. In fact, in Germany there is a possibility where bookstores can order a requested book by their customer overnight and have it delivered on the next day. There are about 97% of the titles available this way. That is a huge achievement in the logistic terms and is particularly supported by the fix book price law.

The adoption of resale price maintenance involves costs as well as benefits for the publishers. It encourages retailers to make point-of-sale available but at the same time hinder price discrimination by the channel of distribution. This tension sheds the light on the publisher and retailer interests around 200 years of German experience of fixed book price system for books. Benefits from a cultural perspective are also remarkable. It is mostly based on the dissemination of culture meaning wide variety of books. There are almost 1.2 million titles in print resulting from the large range of small and large publishing houses – around 20.000 publishers in Germany – of which 60% have less than 10 titles available, while only around 200 publishing houses have more than 500 titles in print.⁴⁵

The German publishers and booksellers association⁴⁶ plays an essential role in terms of both cultural and economic development. It is the main national association of the book industry in Germany. It works in public as well as political arenas to advance the interests of its members⁴⁷. The association was created in Leipzig while having a headquarter in Frankfurt am Main. It serves as a cultural organization and a trade association too. The main task association dealing with is to preserve fixed book price policy as they actively promote that books are core cultural product in German society. It had to fight a lot to make fixed book price into the law for more than 200 years and finally it has been achieved in 2002 by the law on fixed book price policy.

Since the German publishers and booksellers association also serves as a cultural organization too, it often highlights the importance of books as precious cultural assets, as well as defend the right of freedom of expression. It is notable that from 1959 on, the association organizes reading competition of the German Book Trade as a part to encourage reading, where around 600.000 pupils participate each year. Moreover, it also manages Frankfurt Book Fair and awards two prizes - Peace Prize of the German Book Trade and the German Book Prize.

1.3 UK

In the UK, Net Book Agreement (NBA) was established in 1900 among publishers stating that if a publisher sets a minimum price for publication and a bookseller sells for less than that price indicated by publisher during last 12 months after publication, all publishers would ban that bookseller. In spite of NBA being a voluntary agreement until 1990 almost all

⁴⁵Source - German Booksellers and Book Publishers Association.

⁴⁶ https://www.boersenverein.de/de/portal/Information_in_English/1125207

⁴⁷Roughly 5.000 members, which include booksellers, publishers, wholesalers and other media companies.

publications in Great Britain were sold at a fixed price. Between the period of 1990 to 1995 some key publishers withdrew from the NBA agreement; therefore, this agreement was investigated by competition authorities and EU commission. Finally, by the end of 1995 British Publishers Association stopped using NBA and by 1997 "The restrictive Practices Court" declared NBA as an illegal agreement.

The key argument which led to this decision was that free prices would have a positive effect on the prices of books and thus it would benefit buyers. Having the desire for lower book prices was a central argument for the abolishment of the Net Book Agreement.

Francis Fishwick (2008) assessed the effect of termination of the NBA as a following conclusion:

"The defence of the Net Book Agreement from the 1950s to its demise in 1995 was that without it there would be fewer stockholding bookshops, higher prices and fewer titles. The evidence presented here tends to validate all three predictions."

Further comments by Fishwick include:

"The consumer who is happy to read best-selling titles is probably paying less than he or she would if NBA had remained in force; the reader of other minority interest titles is almost certainly paying more". This was confirmed by the fact that without the NBA, book price index increased by 49.6% while general customer price index raised by 27.6%.⁴⁸ Basically, he documented that free prices lead to spotlight only best sellers and the other book prices rise as a whole. Consequently, lower book prices are only for the selected titles that are sold in large volumes.

The situation has changed after the abolishment of the NBA. Specialist bookstores are in a more complicated situation after cancellation of the NBA, due to the price competition from big supermarkets and online stores. John B. Thompson (2010) in *Merchants of Culture* describes the significance of having well-diversified bookstores system. "The abandonment of the net book agreement without the kind of legal protection provided by the Robinson-Patman Act in the US has created a powerful marketplace that is heavily skewed in favor of the largest and most powerful players."⁴⁹ British Publishers Association has pointed out that the volume of sales declined in the period between 2008 and 2010 from GBP 836 million to GBP 739 million. As a result, statistics show that in Great Britain book prices rise while the publications decrease on the British market.

⁴⁸Data comes from the report *Books – At what Price? Report on policy instruments in the publishing industry in Europe*. Rønning, H., Slaatta, T., Torvund, o., Larsen, H., Colbjørnsen, T., 2012.

⁴⁹The citation from Thompson, J., 2010. *Merchants of Culture: The publishing business in the twenty-first century*. Cambridge: Polity Press.

In the interview with the British Booksellers Association, they highlight that the most important thing for the UK book trade is the competition between booksellers. They make an example of the huge international seller - Amazon, which was obviously not around when there was the NBA and fixed prices. According to them, the way book market operates in the UK and also in the other areas, leads to be more liberalized. That kind of economic activity such as Resale Price Maintenance has been faced down not just in book trade but also in some retail areas as well. However, if the members of booksellers association want to campaign the return of the NBA, they are ready to act according to members' wishes.

The role of British Booksellers Association is to act in the best interest of booksellers association members and as today in 2018 there are some issues that have been discussed by the trade press. As an example, the magazine called *The Bookseller* which has published the articles related to the NBA, there is a highlighted argument saying that "there is no particular necessary argument to bring the NBA into force again. It has been in the past and it's gone." According to the beliefs of the UK authorities, the changes in the society, changes in the way people purchase books is not identical, it changes. Sometimes there are some authors, as well as other individuals from the book trade who believe that NBA was something important for the book trade but again it provokes some other discussions within the book trade. Although the British book trade has never argued that NBA should be brought back, for them it's gone.

Chapter 3

Efficiency of the Fixed Book Price Policy in a Digital Era.

1 Introduction

Technological changes have shaped some content of cultural industries in a different way. Last decades have been very challenging for content industries and participants engaged in this process began to appreciate the benefits of new technologies in terms of lower production costs and distribution. The useful effect of technological changes on the cultural products has been hidden by the negative impacts on revenues. In the book market, digitization has unfolded differently.

As highlighted in the previous chapter of this thesis, in many western countries, books have been the subject of price fixing. More specifically this policy is known as Resale Price Maintenance (RPM) or Fixed Book Price (FBP) policy. They are originated from the agreements between booksellers and publishers and in some countries these agreements are regulated by law. Fixed book price system is considered as one of the essential tools to help small bookshops to survive and thus allow publishers and bookstores to cross-subsidize more and less attractive titles. With the introduction of e-books, countries which have fixed book price system are facing the question of whether to extend this policy regulation to e-books.

This chapter investigates both economic and cultural arguments concerning the fixed book price policy in a digital era. Arguments are firmied by three country cases: France, Germany and UK. While there are number of studies on fixed prices of printed books, there is relatively scarce literature on the relevancy of this policy instrument in a digital era. Is it still relevant to keep the Fixed Book Price policy in a digital era? or is there a need of tailoring it to the digital world? There is relatively a little discussion on the consequences of digitization on this policy tool and whether it should be used in a current digital world.

Digitization has brought two main impacts on the book market. The first one is that the marginal cost of books has been reduced to zero which leads to lower prices too. Second, lower costs of distribution of e-books as well as online platforms make it possible for authors to distribute their products directly to customers though online platforms (Waldfogel and Reimers 2015). Until 2007 (which is the year of launching Amazon Kindle) there was no commonly adopted platform for consumption of e-books. Since then, e-readers have diffused rapidly.

One of the goals of this chapter is to improve the understanding of the fixed book price policy instrument in a currently happening digital era and finally assess its effectiveness with the particular focus on EU country cases. The originality of this research is the use of multi-method approach in order to explore implications of digitization in a book publishing market. Such a research is a need for better analyzing the impacts of technological advancement for a

cultural policy sector. At first, chapter reviews relevant literature related to the digitization and e-book matters. Then it sketches a general situation regarding the fixed book price system and its digital challenge. At the end it shows the results and consequences whether fixed book price system is relevant in a digital world.

Methodology of this chapter is the same as of the previous chapter, that lies on extensive literature reviews and surveys with government officials and key players in the book market. The evidence in this chapter shows that digitization has some beneficial impacts on the key players of the book market, both for creators and consumers, even as it generates challenges for existing intermediaries and more generally, for the policy effectiveness too. In Europe, fixed book price policy mechanism offers an opportunity to control developments by imposing fixed book price on e-books too. As an outcome, government supports fixed book price policy mechanism especially in the age of digitization happening nowadays, where effective policy impacts could have remarkable consequences for forthcoming developments.

2 Literature review

There is not much literature regarding the effect of digitization on the efficiency of fixed book price policy. However, relevant literature includes the digitization cases of the book market, e-book evolution and characteristics, as well as regulation issues of the key players of the digital market.

Waldfoegel and Reimers (2015) describe two effects of digitization on a book market. The first one is the distribution of the books electronically which reduces costs and thus can give a possible increase in consumer and producer surplus. As for the second effect, digitization had allowed creators to make their works available directly to customers. Authors believe that the availability to larger set of products can bring welfare benefits to customers. Moreover, some researchers do believe that digitization does not alter existing business models of book publishing sector. Some studies on the digitization of publishing industry has shown that disruptive potential that comes from the digital technologies may not materialize and publishers are able to experience digitization as an enabling force (Martin and Tian 2010). Moreover, traditional booksellers may transfer themselves as digital stakeholders, meaning that printed books and digital formats could progress and work together across the variety of

publishing business models, including traditional and all-digital business models (Martin and Tian 2010).

E-book market plays quite a huge role in a competition for cultural goods. In this regard, Benhamou (2015) highlights main characteristics of the e-book market. She stresses the significance of giant actors who try to organize market according to two different economic models, such as an open model (the case of Google) and lock in model (case of Amazon and Apple). She explains three price models for e-books. These are (1) wholesale model, where publishers set the book price and sell to the retailer, from where retailer decides at which price should the books be sold to the consumers; (2) agency model, where retailers become agents through which publishers sell books to the consumers directly; (3) resale price maintenance model, which is the fixed price of book policy, where publisher sets the price at which booksellers sell a book to consumers.

Moreover, Benhamou (2015) pays attention on Amazon and Google since they are giant actors and also free riders. But should state intervene to maintain the fair competition? In this regard, governments are unable to balance the power of giants, just because giants easily evade taxes as they locate their activities in the most fiscally favorable countries and also, market power allows them to build deals that raise other economic giants against each other. As a result, the optimal level of competition can be speculated in digitized markets, thus this question still remains open.

Some other literature offers to investigate the question on price diversion on the web. Clay, Krishnan and Wolff (2001) rely on the data on the online book industry in 2000s. 32 online bookstores were participating and as a result they face very similar wholesale prices for books. It was indicated that the very large stores such as Amazon, may receive discounts up to 7 percent of the list price. As a result, larger stores could get larger net discounts, while other stores face the same prices for books. Because of Amazon's central status in the online book industry, its prices tend to be the focal point. Study has shown that for the online book industry competitive structure has predicted effects on prices. Correspondingly, prices were lower for books carried by more online stores, while holding competitive structure constant. Thus, it has shown that the majority of books were sold by big online bookstores, which have similar branding and similar prices (Clay, Krishnan and Wolff 2001).

Digitization issue remains quite an important one, since some authors believe that e-books could replace print books. Ernst (2009) identifies these issues and writes about the assessment of factors that have an influence on e-book usage. His observation is made on Springer, which publishes around 4000 book titles each year. But the audience of books is different from the audience of journals. Therefore, higher usage of e-books can be expected than for the journals.

Attention is also paid on the effect of e-books on print book sales. The situation is assessed in three different countries such as Turkey, Greece and Germany; because these three countries have nationwide e-book distribution deals. E-book usage in these countries is increasing rapidly and there is no direct correlation between e-book usage and print book sales. In all elected countries increase in print book sales is above the industry standard. Thus, the assessment of e-books and print book sales shows that not only is usage growing dramatically, the print business is not being taken apart by e-books. In the above-mentioned countries, e-books even drive print book sales.

First country which has adopted the eBook regulation was France. E-book regulation cannot be complete without a copyright policy. Especially in a digital era, this issue remains crucial. Respingue-Perrin (2013) argues that the establishment of a fixed price system for e-books must respect the competition law but the task remains difficult due to the hybrid nature of the e-book since it is a digital artefact and a creative work too. Books are defined by the code of intellectual property which has to remain the same for e-books – the content and the list of rights covered determine the price of them. He also highlights that for the public, law has two important flaws. First, price for e-books will remain at a higher level without the pressure of booksellers. Second, the risk of inertia of prices is real, lowering the capacity for the innovation. It is also indicated that as for statistics (2013), more than 100 000 digital books were available; 90% of the print novel production (in France) was available in digital format as well. If no agreement will be achieved, adaptation of the intellectual property law could be a weapon to support public use and therefore to promote culture.

In the literature there is also much said about the digital fixation and fixed e-book price system. Poort and Van Eijk (2015) examine economic and cultural arguments concerning the fixed e-book prices. Laws or agreements concerning fixed prices of books are mostly motivated by 'books are different' since they have a special cultural and educational value. Thus, it justifies promoting the production, diversity, wide availability and consumption of quality books. With the introduction of e-books, countries with a fixed price for print are faced with the question of whether to extend existing legislation to e-books: do the same cultural policy arguments and legal considerations apply? While the evidence in defense of a fixed price for printed books is slim, the case for a fixed price for e-books is still weaker just because the legal acceptability within EU law is disputable (Poort and Van Eijk 2015).

3 Evolution of the FBP Law

Fixed book price system is an important cultural means. In many countries FBP is considered an effective and important policy tool to maintain a sustainable book industry. I have analyzed the functioning of the FBP policy in the previous chapter (Chapter 2). In this section I will briefly display how the law of FBP policy has been developed time to time.

France was the first country trying to regulate book prices by government, establishing a system of recommended prices for booksellers in 1924. Afterwards, FBP system developed in Australia, Austria, Finland, Hungary, Ireland, Italy, Japan, Netherlands and Sweden by the year of 1950. However, by 1970 Australia, Finland and Sweden abolished FBP system due to the pressure from their national competition authorities. Later on, in 1981, France introduced its Lang Law (la Loi Lang) - Fixed Book Price Law - named after the Ministry of Culture Jack Lang. In 1995, UK abolished its NBA agreement due to the withdrawal of the leading publishers and retailers. UK was followed by Ireland and Switzerland. Nevertheless, Germany replaced its agreement by a statute (the law of Fixed Book Price) in 2002 following the other countries introducing FBP system.

3.1 The Rothley Report

In February 2002, the committee of Legal Affairs and Internal Market of European Parliament adopted the draft report recommendations to the Commission on the directive of the European parliament on the fixing of book prices. This report is called "Rothley Report", which states: *All printed works, or works reproduced in any other way, in particular of literature, music, art and photography, specialist periodicals (but excluding daily and weekly newspapers or popular magazines) and electronic publisher's products, provided they are a substitute for printed books.* (Article 1)

Followed by:

Every Member State shall be entitled to introduce by law or maintain, or permit on the basis of contractual agreements, fixed price systems for books in its territory. (Article 2)

Fixed price systems for books are permissible pursuant to this directive only if they have cultural policy objectives. Member States' fixed price systems pursuant to this Directive are measures to promote cultural and linguistic variety and to protect pluralism within the meaning of Article 1 No. 6 of Directive 2000/31/EC of 8 June 2000 on electronic commerce. (Article 4)

Further described the regulation of cross-border sales:

Cross-border sales of books to final purchasers or booksellers may be subject to fixed price agreements if they are intended to circumvent, or result in the circumvention of, domestic priced fixing. (Article 6)

Derive from the Article 6, circumvention shall apply

If a bookseller obtains a competitive advantage merely by conducting a cross-border transaction which would not have been possible with domestic transactions either in the exporting or in the importing Member State. This applies if a book may only be sold in the exporting state at a fixed price which is not below the price fixed for the importing state.

Obligation of the setting fixed price are explained as

Every publisher and importer of a book shall be obliged, pursuant to a statutory system of fixed book prices, to set and to publish a retail price for books they publish or import for the territory of the Member State. (Article 9).

3.2 Fixed E-book Price Law

Price fixing has been an important economic factor for both booksellers and book publishers. It gives publishers an economic freedom to publish both bestselling and unknown authors, therefore guarantees the literary diversity of the country. Together with the growth of digital technologies, e-books have been introduced to the market. E-book is a digital version of a printed book, that is distributed through the internet and technological devices. Evolution of the e-book market itself is interesting as a case study of a newly emerged product. It has been around for some years, but became more popular when Amazon launched its e-reading device - Kindle - in 2007.

Main driving forces, as well as policy and legal debates are shaping the transformation of the book market. The mobilization by French publishers during 2010s has proven successful - French senate voted for the law imposing a fixed price on e-books sold within the territory of France. Finally, France adopted its Fixed Book Price law of e-books in 2011. It was followed by Germany adopting FBP law on e-books in 2016.

<i>Country</i>	<i>Fixed ebook Price Policy (FeBP)</i>	<i>Legal Basis</i>	<i>Year of adoption</i>	<i>Comments</i>
FRANCE	Yes	FBP law on e-books	2011	
GERMANY	Yes	FBP law on e-books	2016	
UK	No	NA	NA	NA

Table 8. Fixed e-book price law by country.

In the case of France and Germany, the law on FBP on e-books applies to all online booksellers, including foreign ones, selling e-books published by French and German publishers to French and German consumers. Indeed, Amazon and Apple are based in Luxembourg and Google in Ireland. Such a regime also exists in seven other countries: Austria, Belgium, Greece, Norway, Slovenia, South Korea and Spain. In France, there was a strong awareness of the risk that the nascent e-book market may be pre-empted by internet distributors with a dominant position. One could observe the downside effects of aggressive discounts on e-books by such actors in the US: the market of e-books certainly developed and Amazon obtained a market share of 90% in 2009.

4 Books and digital world

Current scope of digital transformations has had a huge effect on the book market. E-books already exist in reality. It was inevitable in the era of technological advancements. Therefore, the ways we purchase, as well as consume and read the books have changed due to the rise of internet. These changes have brought some opportunities in the book market, while also imposing some challenges.

4.1 Emerging e-book market

Market for e-books is still in the developing process. In some countries, e-books are not treated as printed books. There are a number of differences between the market for printed books and e-books. As for e-books, consumer need a special device for reading an e-book. Compared to print books, e-books have several advantages and disadvantages from a consumer perspective. The number of advantages includes (a) portability, when the user is travelling and have an access to large number of books, (b) ease of purchase together with an instant delivery, (c) searchability. As for disadvantages, it includes (a) reduced ease of lending a book to a friend, (b) vulnerability to theft and damage (J. Poort and N. van Eijk 2015).

Benhamou (2015) characterizes e-book market as it has both private good and public good characteristics, meaning that readers can buy or download e-books but consumption remains non-rivalrous and at some point - non-excludable. Also, she highlights that e-books (together with printed books) are experienced goods, meaning that the utility is unknown to the consumer before the consumption.

In the process digital transformations, established value chain of a book industry is very much affected. New competitors which are Amazon, Google and Apple for example, enter to the market and take the missions of already established actors. Digital transformation has created new formats and new possibilities for the publishers. They are becoming able to distribute content by themselves through digital platforms or devices. However, increasing digital books does not necessarily mean that printed books are going to disappear. In the value chain of a book publishing industry, printing and storage stages will no longer be applicable in case of the e-books. These stages will be replaced by digital production and storage, as well as the books on demand. This concept is illustrated in the following figure (Figure 4).

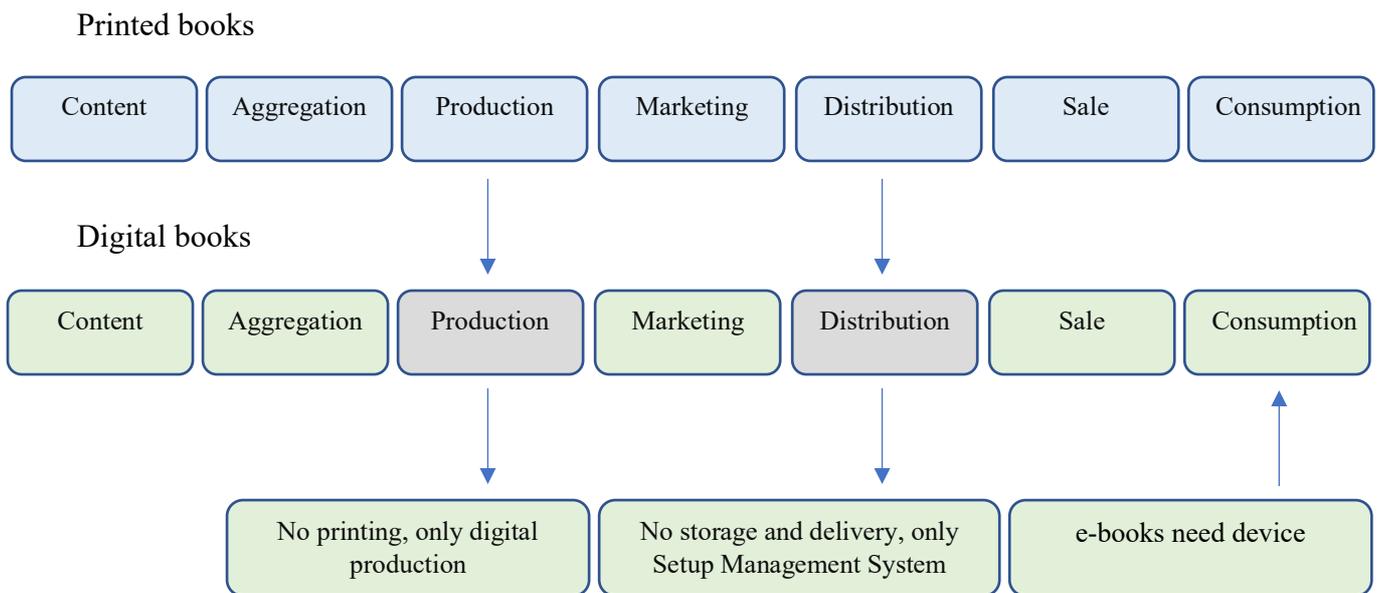


Figure 4. Value chain of printed and digital book publishing industry.

In the case of e-books, production and distribution process are not the same as for printed books. In the production stage of the digital books, there is only digital production, therefore no printing involved. As for the distribution stage, transportation, storage and delivery does not take place and it is substituted by the creation of e-book platforms and devices, establishing digital content system. However, other traditional functions will remain the same. Because of the low entry barriers in a digital marketplace, all the actors in the value chain will enlarge their operations with the help of the internet. That can include self-marketing, platform distribution, online shops and etc. As a result, competition will be increased.

Speaking of digital production, the ownership of digital rights is an important issue that arises in publisher-author relations. In a digital world contracts do not provide the transfer of digital from the latter to the former, especially when the contracts are not recent. The consequences of this lack of mention are cumbersome to manage if the publisher's funds are important. In view of this situation it seems necessary to include digital rights in contracts, specifying the assignment of the digital rights and payment of the fees relating to it.

In terms of the influence of the technological developments, in Europe, these developments are being enhanced by huge providers, like Amazon and Tolino alliance, that occupy production chain. Traditional publishers may be in the danger from the creation of new

formats as well as the reformulation of distribution channels. Internet players do not have any essential interest in content creation. However, they are eager to gain large segments on users' communications.

4.2 Economic characteristics

Traditionally, production of books comes high fixed costs and less marginal costs. Digital printing and new technologies significantly have reduced the economies of scale of printed books. Much less capital investments are required for production of e-books. Economies of scale, considering at the retail level, can stem from the varieties of titles. Consumers may end-up buying an alternative book which matches their interests while visiting a physical or an online bookstore. It applies to both printed as well as electronic books.

Above all, fixed price faces several issues. The digital world is characterized by the fragmentation of offers and the multiplication access possibilities. In this context, the main difficulty of fixing the price of the digital book is less a question of determining its level than of its object. Before even discussing the price, what needs to be established is what is sold. If it's selling one-time downloadable file, a digital book, it should be comparable to the original paper book. Unfortunately, this type of operation does not correspond to the reality of the digital universe. Using the fixed price mechanism in the form of paper edition, becomes difficult because of the lack of majority marketing mode and unique support for the content (Patino 2008).

In France, the application of the law of 10 August 1981 on the fixed book price in the physical universe is indeed based on the tax definition of the book: "un ensemble imprimé, illustré ou non, publié sous un titre, ayant pour objet la reproduction d'une oeuvre de l'esprit d'un ou plusieurs auteurs en vue de l'enseignement, de la diffusion de la pensée et de la culture."⁵⁰ The book must contain a sufficient editorial part to confer the character of an intellectual work. It must not have a marked commercial or advertising character. Finally, it must not contain a large space intended to be filled by the reader. Defining a digital book with the same efficiency is a challenge. Firstly, its content is fluid, breakable, integrable within various offers: it cannot be a question of a "whole", contrary to the reasoning tax definition. On the other hand, the fragmentation of offers in subscriptions and time of access that the digital universe implies

⁵⁰ "A printed set, illustrated or not, published under a heading, the purpose of which is reproduction of a work of the mind of one or more authors with a view to teaching, the diffusion of thought and culture".

makes the relationship between a price difficult lump sum and unique content. Finally, the digital book is above all a right related to a work of writing (Patino 2008).

4.3 Fixed price of e-books

As internet plays a significant role in a rapidly changing world full of technologies, it also represents one of the biggest distribution channels for the goods and it is still growing fast. This is also the case of e-books.

It has been already mentioned that the anti-competitive arguments for the fixed book price system is one of the motivations for this policy, together with the aim of maintaining wide network of booksellers as well as huge variety of books published. As for e-books, all retail related matters lose their relevance in this regard. With the use of internet, consumer can have an access to any e-bookstore. In some countries (for example, Scandinavian countries), a joint platform for selling e-books is created by the booksellers. This means that booksellers are trying to develop local market for e-books in order to compete with Amazon, Google and Apple. Therefore, some of the benefits that FBP policy brings, such as maintaining a dense network of booksellers and cross-subsidization between titles is irrelevant for e-books, since in this case they do not have a retail margin of high sales of best-sellers that can compensate the loss in failed titles.

However, the fixed price for e-books helps traditional bookstores to survive in a gradually shifting markets. European law mentions that price fixing laws in case of e-books will be a subject of stricter review, which is justified by its nature – e-book is a service, while paper book is a good. There is also an issue for the imposition of restrictions on the trade of services. This is one of the main focuses in the case of France. The French Act highlights that suppliers are required to charge a fixed price for books, meaning that some suppliers establish abroad but operating in France are also charged with fixed book prices. For example, this is the case of Amazon.

5. Digital challenge

Discussion on the efficiency of the fixed book price system in a digital age is very challenging and it involves many other themes and issues in the debates. The main challenge is how to integrate FBP policy in a digital world so that technological developments and competition between new and old technologies work in a way to ensure the existence of this system together with the adaptability to change. Printed media is hardly completely replaceable by digital media. However, new technologies have a high degree of penetration. Instruments for promoting cultural policy should be tailored to the digital trend.

Fixed Book price policy tool is used as a protection mechanism from the government in terms of improving cultural landscape and thus achieving cultural diversity, since the book market is considered as an essential asset for the nation's cultural development. But the digital challenge plays a huge role in this process. Many of the players feel the pressure from the digital segments like Google, Apple and Amazon. They are only distributors and not the creators of the cultural content.

European systems consider a book as a printed medium with a given production and distribution chain (author, publisher, printer, distributor, bookseller and reader). National fixed book price laws govern the relationships between sellers and publishers as well as sellers and readers. Digitization of the books is not only a process of producing books as digital files but it also means the distribution and selling in digital formats. It also entailed the need to extend fixed book price policy to e-books, so as to maintain a distribution as diverse and healthy in the digital environment.

Therefore, to understand this process more and deliver a healthy outcome, this study has been completed by multiple sources, including the surveys with several authorities in three countries (France, Germany, UK), as well as extensive literature review and policy reports.

5.1 Survey design

Survey design for this chapter is the same as for the Chapter 2. Data collection is based on in-depth interviews that have been held with the key players of the book industry. Structured interview types, participants and the dates are the same. However, interview questions differ. In addition to structured interviews, industry reports, statistics and evaluations have also been

used to complete this chapter. Newspaper articles and other materials on the subject are also a part of this research.

The design of the survey was built on the questionnaire and covered the following dimensions:

- Effect of digitization on the FBP policy
- FBP policy on e-books
- The future of FBP policy in a digital era
- The view of the key players in the book publishing market
- Some statistical data information needed for the further research

Questionnaire for each country is presented below.

Questionnaire for France

Ministry of Culture

- How do you consider the future of fixed book price system in a digital era?
 - Is there a threat coming from the digital environment?
 - How do you evaluate the need of FBP policy in a digital era?
 - How do you think France should maintain its cultural objectives in a digital era?
-

National Association of Booksellers and National Association of Book Publishers

- Which kind of threat you feel coming from the digitization? What kind of ways you see is a solution/way out?
 - How does the digitization affect you?
 - How do you consider the future of publishing houses in a digital era?
 - How could you maintain the amount of publishing titles so that they do not decline time to time?
-

Questionnaire for Germany

Government Officials

- “The book is a cultural product...under pressure from the changing digital media landscape.” mentioned Sigmar Gabriel (German Minister of Economic Affairs) in the interview. How do you see the future of books as a cultural product and is there a real threat coming from the digital environment?
 - How do you evaluate the need of FBP policy in a digital era? Could you imagine your county without having this policy in action?
-

National Association of Booksellers and Book Publishers

- Which kind of threat you feel coming from the digitization? What kind of ways you see is a solution/way out?
 - How do you imagine the future of the small bookshops? Do you think they can disappear because of the changes in a digital media landscape?
 - How do you consider the future of publishing houses in a digital era?
-

Questionnaire for the UK

National Association of Booksellers and National Association of Book Publishers

- How do you see the effect of digital environment on you (booksellers)? Does digitization change a lot for you?
 - How do you see the effect of digital environment on you (publishing houses)? Does digitization change a lot for you?
 - How do you consider the future of publishing houses in a digital era?
 - How could you maintain the amount of publishing titles so that they do not decline time to time?
-

5.2 Results and discussion

The digital book market remains a stumbling block for most of the sectors that are still in the experimental stage. In English-speaking countries such as the United Kingdom and the United States, e-book revenue accounts for 23% of consumer publishing, and in the United States, after capping, it began to retreat and to stabilize from 2015. The detailed e-book market revenue together with the book market revenue and the e-book market share are illustrated in the Appendix section of this chapter. The development that the e-book market revenue is rapidly growing was achieved thanks to an aggressive pricing policy of the Net Giants, which reinforced their dominant position (Amazon would hold 92% of the Amazon digital book market in the United Kingdom according to the Bookseller in September 2016) and pushed many bookstores out of business (the disappearance of 1/3 of independent booksellers in the UK in the last 10 years).

As the share of the global internet players grows, the sales impact of small and independent retailers diminishes dramatically and the market share of best-sellers increases. In fact, online retailers cannot replace booksellers, who give personal advice to readers and actively promote new authors and books from the backlist. Moreover, if there is only one actor selling e-books and if it refuses to sell some of them, on the basis of its own judgment, then readers no longer have access to the ideas and the culture they convey. Some large Internet retailers currently tend to delist e-books of publishers (e.g.: an application about hippies published by Gyldendal, Denmark's largest publisher) in the framework of their censorship or commercial policy. These cases show a clear danger for cultural diversity. Preventing monopolies in the distribution of content is therefore also a matter of democracy. Competition law is not sufficient to prevent the downside effects of the emergence of actors with dominant positions. Hence the need for FBP legislation on e-books.

Survey results and discussions with key players in the book publishing market show that there is almost no threat coming from the digitization in a well-regulated system. It would even be more efficient for the industry to make some technical developments for the better functioning. *“The French publishing industry has already migrated smoothly to digital technology, without anyone being able to pinpoint any flaws other than the traditional, hackneyed clichés about the “relentless pace of innovation” that supposedly is driven by the commoditization of everything. At best, such commoditization is synonymous with the “googlization” of culture, at worse with the restoration of privileges granted by patrons, and*

in any case with a massive rarefaction of the cultural offering."⁵¹ - is mentioned in the report by Richard Malka⁵² (2015).

Speaking of the French case, France expanded its fixed book price law to e-books too. Therefore, *"The fact that the French decision to also include digital books under the book law was accepted by the EU Commission means that the Fixed Book Price Laws now appear to have a future in Europe, even if e-books and online bookshops were to win a larger share of the markets. The book industry is considered unique, and it is recognized as having special needs for protection through market regulation."*⁵³

Regarding the German case, in the era of digital developments it hopes it will be able to keep the FBP policy as it is. Like France, Germany's FBP law is also expanded to e-books. According to the key players in the German book market, it is very difficult to imagine Germany without FBP policy because it has been in place since 1855. This system is really old and Germans put lots of work and effort on it for decades.

As a future of bookshops in a digital era, many of them are going to have some distinguished features which can make them special and different in order to attract more customers. The important thing is that booksellers should know precisely what their customer want and need. It requires booksellers to be open to new developments now than they were 20 years ago. There are still some customers who do not use online platforms and it will continue more or less this way. As an example of the US, we have just seen stronger development of small independent bookshops.

In terms of the future of publishing houses in the digital age, usually publishing houses are still in a good shape. The transition to digital has already happened in various ways. The core is that publishers and other contributors in the book industry maintain their relationships clear together with the authors. If these connections work and if publishers are able to give authors creative impulses in order to help them develop great ideas then the future is bright.

⁵¹ "The end of copyright? taking for free is stealing." Report by Richard Malka.

⁵² Richard Malka is a lawyer in Paris, France, specialized in a press law. He defends the rights of publishers, journalists, press agencies and audiovisual production companies.

⁵³"Books - at what price?"

6 Conclusion

This chapter has developed a preliminary investigation about the influence of the digitization on the cultural policy tools, in this case – Fixed Book Price Policy. FBP still remains one of the successful cultural policies in France and in some other countries of Europe as well. Most of the countries operating under the fixed book price law have extended their regulation to e-books too. This price fixing is accepted by government officials to soften and regulate competition between publishers and retailers. In most cases this is justified by positive effects of having a dense network of well stock bookshops as well as diversity of titles published.

The consequences of the digitization to the book market are important for the publishing sector. This perspective is a bit worrying because publishing sector is more or less fragile and its actors are highly dependent to each other. An accelerated digitization may damage the relations between authors and publishers as well as between publishers and distributors. In a digital world it is important to keep the balance without weakening existing links between the players.

Depending on the mode of distribution chosen (either printed book or an e-book), different solutions have to be found. The legitimate wish of fighting against piracy of the content on a large scale (as in the music sector) poses a risk on the creation, and does not always lead to solutions of protection. In most cases consumers lock into technology and these technical locks represent an exit barrier for them. Building an attractive legal offer is a good weapon fighting against the piracy.

By imposing a fixed book price, regardless of the seller, the law of August 10, 1981 (case of France) price of the book has allowed the book industry to maintain dense and diversified bookstores able to present a diversified offer, also to avoid the concentration of players in the sale and tightening of supply on the most promising titles. In an ongoing digital era, many bookshops are going to have some distinguished features which can make them special and different and therefore attract more customers. The important thing is that booksellers should know precisely what their customers want and need and who they are. It requires booksellers to be open to new developments now than they were 20 years ago. There is a bright future for the small bookshops because there are still some customers who do not use online platforms. Therefore, fixed book price system still needs to be maintained and tailored to the e-book market too. It safeguards traditional bookshops from disappearing from a cultural landscape. Finally, there are some issues open for the further discussion. First of all, other country examples could be included in the study in order to achieve somehow a diverse outcome.

Secondly, relying on personal surveys and extensive literature reviews might not be the best way to analyze policy effectiveness. More quantitative analysis-based approaches might be preferable. This article is seen as a needed step towards initiating cultural policy efficiency discussions in an ongoing digitization era, hoping to stimulate further research as a continuation of this study.

Appendix

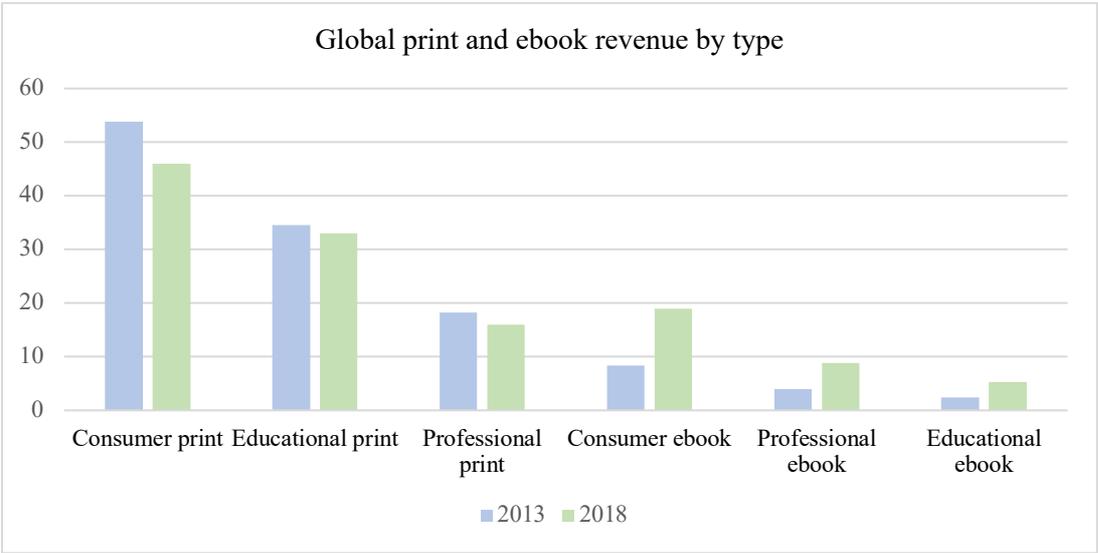
1 Country cases

In Europe, Fixed Book Price policy mechanism offers an opportunity to somehow control technological developments. Book industry has shown all signs of being a stable industry in which e-books share was negligible. However, digitization has evolved structural changes in this process and altered the competitive situation in the main parts of publishing world.

The following table (Table 9) and the Chart (Chart 1) illustrate the picture of a global print and e-book revenue (in billion U.S. dollars) in 2013 and 2018. It makes it possible to compare the share and developments in a book market.

Type	2013	2018
Consumer print	53.8	46
Educational print	34.6	33
Professional print	18.2	16
Consumer e-book	8.4	18.9
Professional e-book	4	8.8
Educational e-book	2.4	5.3

Table 9. Global print book and e-book revenue in 2013 and in 2018, by type.



Graph 2. Global print book and e-book revenue in 2013 and in 2018, by type.

The situation in the EU today is that e-books and printed books are treated in different ways in some countries. While in the countries studied in this research (France, Germany, UK) both e-books and printed books are treated in the same manner (the case of France and Germany for example). This section shows some relevant data on the country cases.

1.1 Case of France

In Europe, France is the home of the second largest domestic book market after Germany. With the value of 4,130 million in 2012, or 52.7%, compared to video (movies, at 16.8%), music (9.4%), and games (21.1%)⁵⁴ book are the most popular cultural product among French consumers.

France has been the first country which included provisions about digital books in its regulatory regimes in 2011, by imposing FBP law on e-books. Cultural policy awareness is very high in France. In addition, French Ministry of Culture has a special department for analyzing economics of books. Its e-book environment is characterized by different factors from the political, as well as cultural view. France has started the digitization of its book culture through its National Library and its National Digital Library called Gallica. Syndicat National de l'édition (SNE), French publishers association, together with the French government always defend French culture and its book industry against the threat and challenges coming from the global market forces. In order to strengthen the copyright, Hadopi Law ("Haute autorité pour la diffusion des oeuvres et la protection des droits sur internet") was introduced in 2009, mainly designed for the music and video at that time.

In the policy report of Bruno Patino (2008)⁵⁵, committee recommends a series of measures organized into four actions. These are:

1. Help and promote an attractive legal offer
2. Make copyright as a key aspect of the digital publishing
3. Establish mechanisms for right holders to have a central role in pricing
4. Conduct an active policy with community authorities.

Since digital publishing has become a crucial action of the book market and is attracting its readers, new digital market needs a legal offer accessible by the quality and availability of its

⁵⁴ SNE, Les Chiffres Clefs de l'édition 2012, and Livres Hebdo, August 27, 2013.

⁵⁵ Rapport sur le livre numérique. Remis par Bruno Patino à Christine Albanel, le 30 juin 2008. Ministère de la culture et de la communication

metadata⁵⁶. In the long run, the quality and comfort of use is the only way to fight against the piracy (Patino 2008).

In 2018, Syndicat National de l'édition (SNE), French publishers association, attributed 7.6% of all French book revenues to e-books, which was worth of €201,7 million (SNE, "Edition numérique 2017-2018"). In terms of digital reading, the trendiest sector is literature (60% of sold ebooks).⁵⁷

The Table 10 shows a publisher book sales revenue (in million euros) in France from the year 2011 to the year 2018, by format. In addition, share of digital sales is included.

France

<i>YEAR</i>	<i>PUBLISHER BOOK SALES REVENUE</i>	<i>DIGITAL BOOK SALES REVENUE</i>	<i>SHARE OF DIGITAL SALES</i>	<i>COMMENTS</i>
<i>2011</i>	2 804	56.8	1.8%	Fixed book price for printed and e-books
<i>2012</i>	2 771	81.8	2.1%	
<i>2013</i>	2 687	105.3	3.1%	
<i>2014</i>	2 652	161.4	4.1%	VAT of 5.5% for print, audiobooks and e-books
<i>2015</i>	2 722	163.9	6.4%	
<i>2016</i>	2 837	234.1	6.8%	
<i>2017</i>	2 792	201.7	7.6%	
<i>2018</i>	2 670	212.6	8.4%	

Table 10. Publisher book sales revenue in France from 2011 to 2018, by format (in million euros).

Source: Statista and SNE

⁵⁶ The metadata is the set of information that describes the content (title, subject, description etc.), the elements of intellectual property (author, publisher, rights holders ...) and the material elements (format, date, identifier) of a digital content.

⁵⁷ Source: Global Ebook Report 2013.

France always defends its diversified cultural infrastructure embodied in dense network of booksellers and diverse book titles available throughout its territory. This action is being highlighted in many media reports as well as political actions.

Once *The New York Times* stated "The French still flock to bookstores" (*The New York Times*, June 20, 2012).

The chief executive of Hachette Livre, Arnaud Nourry, says the industry has had ‘one or two successes among a hundred failures’ and that e-books have ‘no creativity’.⁵⁸ “It’s the limit of the e-book format. The e-book is a stupid product. It is exactly the same as print, except it’s electronic. There is no creativity, no enhancement, no real digital experience,” said Nourry.⁵⁹ Since for France books are culturally essential product, its importance also relies on a social function. Mr. Gimazane, the Head of the department of the Economy of Books in the Ministry of Culture in France, believes that the online market does not have the same social function than bookshops. Bookshops are democratic places – you can enter and involve in the aesthetic and intellectual debates. As for France bookshops are the intellectual life of the nation.

1.2 Case of Germany

The success of a German book market mostly relies on a broad and diverse mix of its book titles and the stability of the market itself. However, with the introduction of e-books, the old balance seemed to give the way to the new market – e-books. The debates on how to stabilize German book market and prepare it for the major shifts had started in order to maintain its old success matters. By establishing the FBP law on e-books in 2016, it still seems as relatively stabilized market compared to the other international book markets.

The Table 11 table shows German book market revenue (in million euros) including e-book market revenue from the year 2011 to the year 2018. In addition, market revenue share of e-books is included.

⁵⁸ <https://www.theguardian.com/books/2018/feb/20/ebooks-are-stupid-hachette-livre-arnaud-nourry>

⁵⁹ <https://www.theguardian.com/books/2018/feb/20/ebooks-are-stupid-hachette-livre-arnaud-nourry>

Germany

YEAR	BOOK MARKET REVENUE (PRINT)	E-BOOK MARKET REVENUE	MARKET REVENUE SHARE OF E-BOOKS	COMMENTS
2011	9 289	312	0.8%	Fixed book price for printed books and e-books
2012	9 073	450	2.4%	
2013	8 931	609	3.9%	
2014	8 540	782	4.3%	VAT 7% for print 19% for e-books
2015	8 231	957	4.5%	
2016	7 967	1 138	4.6%	
2017	7 714	1 332	4.6%	
2018	7 466	1 474	5.0%	

Table 11. Book market revenue in Germany from 2011 to 2018 (in million euros).

Source: Statista

It is important to highlight that Amazon owns around half of German e-book market, therefore the role of the impact of Amazon has been the center of the debates in Germany. Two largest book chains attacked Amazon with launching their own device called Tolino. Tolino is an interesting case in Germany because it is able to compete with Amazon Kindle model. It is about as strong in terms of devices and sellers of the e-books into the system. E-book seller can sell e-books to the customers owning a Tolino device and not tied to Amazon, since it is an opened one. In the interview with Dr. Sanger, the Head of the European and international affairs at the German Publishers and Booksellers Association, she explains the impact of the Tolino device - *"A customer has a Tolino device and there is a selection of devices (all kinds) and they can just go to their book shop nearby and get the advice and service or maybe also buy an eBook version of the book. which they can also download online. The positive side of that is that even small bookshops can be the part of the eBook ecosystem and serve their customers whichever format they want."* She does not agree on the idea that there is a threat coming from digitization, believing that there is a huge advantage as well for the sector and for books themselves. However, these changes are having some effects, and not all desirable.

First of all, although in the German system the eBook is also sold in a fixed price so the Kindle version could not be just one euro, the publisher would set a price that is somehow realistic and everybody would have to stick to that. It is true that customers think that "oh, that's just an ebook and it should be much cheaper". Normally customers don't realize that authors still need to be remunerated. In addition, maintaining the electronic system, maintaining the quality and also the delivery to the customer is not cheap. Paper is not an expensive product, that is what German publishers and booksellers association always tries to explain to the customers of the book market.

Regarding the future of publishing houses in a digital era, Dr. Sanger states the following:

"Publishers are in quite a lot of pressure. However, there is a completely different scenario in academic publishing. Generally speaking publishing houses are doing very well in this transition and the transition to digital has already happened in many ways. The core of what they do is very close to the relationship they have with the authors. The publisher and other contributors and their relationship with publishers is absolutely essential. If that works and if they can continue giving authors creative impulses to help them develop great ideas then the future is bright because that's what they do and there is perhaps enough recognition around what exactly publishers do. They just don't receive the product and publish. There is a lot of understandings around what publishers do and this is our job of - The association of booksellers and book publishers - have to work on."

1.3 Case of the UK

Recent years were seen as massive changes in the book market for UK as well because of the rise of online selling platforms and increased e-book share. Bookshops have been the part of this changes too and as a result, in UK, 44% of the independent bookshops have been closed between 2005 and 2017.⁶⁰

The United Kingdom is a dominant player in the European digital publishing market over several years and according to Statista data and research it is predicted to continue so in upcoming years. British e-book market comes very close to the US one because of its effective performance in digital publishing.

⁶⁰ Source: The Bookseller, see <http://www.thebookseller.com/news/indie-bookshop-presence-uk-contracts-11th-consecutiveyear-499776>

The Table 12 shows a publisher book sales revenue and a digital book sales revenue (in million GBP) in the United Kingdom from the year 2011 to the year 2018. In addition, the share of e-books is also included.

YEAR	PUBLISHER BOOK SALES REVENUE	DIGITAL BOOK SALES REVENUE	SHARE OF E-BOOKS	COMMENTS
2011	3 030	256	3.4%	No price regulation
2012	3 039	424	6.8%	
2013	2 870	515	8.8%	VAT: 0 for prints, 20% for e-books ⁶¹
2014	2 736	616	11.5%	
2015	2 756	660	14.2%	
2016	2 976	667		
2017	3 118	649		
2018	2 950	676		

Table 12. Publisher book sales revenue in the United Kingdom from 2011 to 2018, by format (in million GBP).

Source: Statista

In April 2017, The Publishers Association released the figures showing that the UK publishing industry has reached its highest level in 2016 regarding the book and journal sales, which reached £4.8bn. ⁶² It is also important to highlight that the UK publishing is a strong player worldwide, because of its exports and core advantages offered by English language. UK has a potential for remaining global hub for publishing.

Regarding the digitization issues related to the FBP policy, British authorities believe that there is no threat coming from the digital world. This argument is also firmed by the head of the industry and trade department of the British Booksellers Association, mentioning that *"eight years ago digital books were perceived as very much grown areas. At that time there*

⁶¹ As of 1 May 2020, 20% VAT on e-books and digital newspapers, magazines and journals has been removed.

⁶² <https://www.publishers.org.uk/news/press-releases/2017/uk-publishing-has-record-year-up-7-to-48bn/>

was the view that e-books would become more important and print books less important. What has actually happened is that the print books are actually growing and digital books are not as important as it thought it would be."

Small bookshops still remain an attractive venue for consumers. The future of these unique bookstores depends on how they can make themselves eye-catching for consumers. The book trade has been significant closers in the past 20 years and those bookshops that are still open have a bright future.

Chapter 4

Simple Economics of Media Chronology Policy in a Digital Age.

1 Introduction

Nowadays, the distribution of motion picture is going through the changes. In the traditional film distribution model, primary channel has always been the cinema, whereas DVD distribution has become a secondary profitable channel for the distribution. However, with the increase of internet usage, this traditional model of distribution turned upside down. Experts in the film industry have predicted this change and that digital world would become an important channel for film distribution.

The film industry is divided into three main divisions according to the function. These are production, distribution and exhibition (Gaustad 2019, Finney and Triana 2015, Hadida 2009, Wasko 2003). Each stage adds some value to the film. Production process consists of writing the script, choose the director and actors, as well as some important elements to finalize the product. In the distribution process, marketing procedure comes into action to build a potential audience and license the films in order to be available in the different channels. Finally, exhibition offers consumer a final product through these market channels. Film's value is depended on the all the sectors (production, distribution and exhibition) through the work done by them in terms of the quality of the production, expectations created by the marketing sector and final presentation of the film to public (Gaustad 2019). This chain is vertical in value system terms, meaning that products are downstream from production to exhibition and money flow upstream - from exhibition to production (Porter 1985, Gaustad 2019), which creates the circular flow of the products and money.

In the film industry, revenue of producers is determined by the number of versioning offered and by the time of each version released during the exhibition period. Traditionally, films are shown in the cinemas first and then different versions (Pay-TV, home video, network TV, etc.) are followed. A crucial aspect in the film release strategy is the lapse of time between its initial release in cinemas and its debut on video, which is called video window (Calzada and Valletti 2011), or release window. It is a very key feature of the film industry. In some countries, this process is regulated by law and is referred as media chronology policy. There are numerous terms which refer to the same practices. These are release windows, release patterns, statutory windows, exploitation windows or simply media chronology.

I focus on the theatrical windowing strategy, which deals with the licensing of film to the various channels in order it to be available for consumers in the different markets. European Audiovisual Observatory (EAO) specifies release windows as the following:

“The release windows are conceived in chronological order going from windows with higher potential revenues for the rightsholders and a lower number of potential viewers to those with lower potential revenues for the rightsholders and a higher number of potential viewers”⁶³.

Most revenues are collected at the beginning of the first window, when the film is not released in the next one. It is important to note that first window represents the biggest share of investment in advertising and marketing. The discussion around chronology of media lies at the core of conflict between stretching or shrinking of each window, which became the centre of the debates lately. Over the years, release window system has enlarged every time a new way of watching films was introduced. Legislations and other frameworks influence the boundaries within each released version. In some countries, policymakers impose windows through the legislation or some regulations. However, it can happen in the industry level too. In this case release windows are agreed on the basis of given case contracts. Generally, the duration and chronology of release windows differs across the countries because of the different technological infrastructure, as well as related regulations of audiovisual sector and consumer spending too.

“The optimal sequence and length of the release windows is not static, but requires a continuous balancing exercise between the sometimes opposing (expected) impact a release in one window may have on another window.”⁶⁴ Players of the cinema industry work hard on establishing the ideal length of time intervals in between of different versions, therefore it is a subject of trade-off between the parties.

However, growth of the internet usage and digitization has disrupted traditional strategies of the media chronology policy. It facilitated the development of online platforms and therefore online distribution of the content, such as subscription video-on-demand services (SVODs) like Netflix and Amazon Prime. They became important players in the transformation of window release strategies. Since Netflix provides videos on demand, as well as creates its own original programs in order to better serve the customers in the way they (customers) prefer, it is becoming a revolutionary platform in the broadcasting industry. It was considered one of the first companies using internet technology to drive its business model⁶⁵, since it provides the products to its consumers all over the world through the internet. It has been some years Netflix challenges studio system, forcing them to change their traditional practices. Therefore, it acts as a facilitator of the reduction of chronology of media timeline. With the time and

⁶³Release windows in Europe: a matter of time. IRIS Plus 2019-2. European Audiovisual Observatory, Strasbourg, 2019. ISSN 2079-1062

⁶⁴ EU report on Analysis of the legal rules for exploitation windows and commercial practices in EU member states and of the importance of exploitation windows for new business practices. 2014

⁶⁵ <https://www.businessmodelsinc.com/exponential-business-model/netflix/>

technological changes can it be considered as a beginning of the end of chronology of media era? There is an ongoing conflict between releasing a Netflix's film in cinema theatres and making it available on the platform. One of the cases was Martin Scorsese's *Irishman* (2019) which got a theatrical debut first just before releasing on Netflix. Cinema theatres want to keep films as long as they can in order to attract audiences, while streaming platforms like Netflix would like to release their new content as soon as they can for the reason to attract new subscribers. In addition, Netflix seeks for prestige and award recognition. Therefore, it gives a limited theatre release of its films so that they are eligible for the awards.

The old media companies and studios are trying to be innovative themselves and adjust disruptions caused by Netflix. Dropping out a release window scheme is considered as a catastrophic case for cinemas. It seems it will be a battle between public relations and marketing professionals to communicate to their consumers regarding potential challenges in the industry. Moreover, it puts the policy of the media chronology under the threat. "Digital technology has not only added new windows but also it has transformed the nature of the windows through which content can be supplied to viewers." (Doyle 2017) Therefore, the purpose of this chapter is to answer the following research question: Is it still required to have a release window strategy in a digital era? Literature on the issues of the media chronology is very scarce. In order to address the issue, first of all, chapter identifies the values of the cinema industry and shows the consequence of chronology of media on it. It considers media chronology as a protection mechanism for the cinema theatres, as well as a key component for the industry to boost the economic performance.

However, with the spread of covid-19 pandemic, issue of the chronology of media became more newsworthy. Film and audiovisual sector in general got affected by changes, beginning with freezing thousands of projects, shootings and events, ending by postponing film exhibition or changing the traditional release schemes. Therefore, the pandemic has provided us with the new experiences.

This chapter is structured in 3 sections. Following on from this introduction, in the first section, I focus on what is a chronology of media, a brief review of the theory and empirics of media chronology is undertaken, which provides us with the arguments of the release window strategy through the use of versioning. In addition, gains and losses of the key players are identified. In order to answer the research question, second section of the chapter is dedicated to the qualitative strategy where I show the approach of experiences (e.g. cases about simultaneous release of the films, as well as the cases where media chronology was not respected) and the debates on them. This allows me to show an overall rough picture of the impact of simultaneous releases. In the third section, from a dataset built on UNESCO and European Audiovisual

Observatory data, I provide an empirical assessment of impact of the theatrical window on film performance. This is my quantitative strategy, which permits to observe the effectiveness of the lengths of a theatrical window. Finally, with conclusion, I sum up the chapter and give possible recommendations.

This chapter adds in various ways to the existing literature of a policy usefulness and the importance of a theatrical window. First, I document the significance of theatrical windows with the incorporation of it into the laws and industry agreements. Second, my use of data shows a strategic case for the cinema industry on the duration of the theatrical window. Third, I demonstrate and explain the aspects of the theatrical windows, whether it is useful or not in the era of ongoing digitization.

2 Theory and Empirics

2.1 Theoretical background

Changes in film distribution windows are affected by digital media. As a consequence, industry players worldwide are experiencing lots of different perspectives together with the rising of international box office numbers. While the traditional theatrical window is 3-6 months, it has been shrunk during past years. Non-traditional content providers, such as Netflix and Amazon, have been the primary disruptors in the original theatrical window model.

Frank (1994) was one of the first ones studied the optimal timing of film releases. He built a model, based on German data, which explained the changing film release patterns at the same time with the growth of video market. In his model, rising video market increases opportunity costs of holding back a video release, therefore growing video market makes a period of exclusiveness (time period between cinema and video release) shorter. Frank did not consider any other releases, meaning Pay TV and Free TV releases, after video release, because according to him TV market has no impact on the determination of the optimal timing of video release.

Nowadays, cinema theatre release, DVD sales and rentals alongside with VOD, Pay TV, SVOD and Free TV are considered as main release versions of the films. Each version is provided with a limited period of time following the principle of “second-best alternative”. The more successful a film is in the cinema theatre, the most successful it becomes in the following

versions (De Vany & Lee 2001, De Vant and Walls 2002, Elberse and Eliashberg 2003, Hennig-Thurau et al. 2006, Liu 2006, Prasad et al. 2004). This concept is illustrated on the Figure 5.

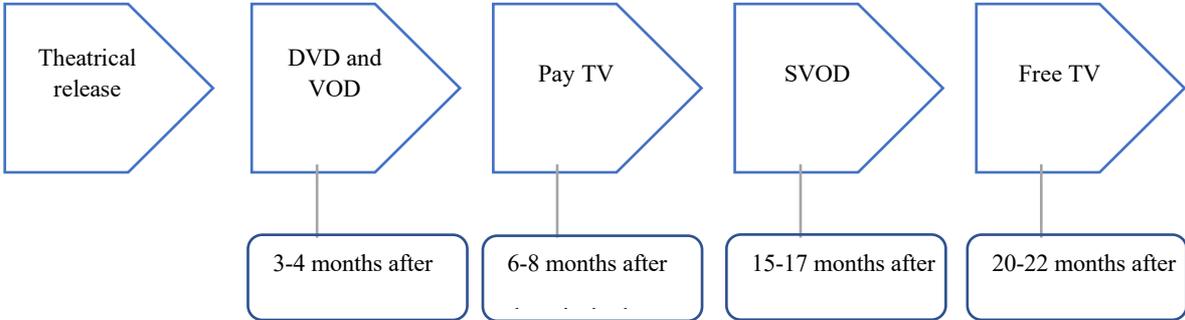


Figure 5. Standard release scheme of the film ⁶⁶

“Versioning is the economic concept that supports release windows.” This concept of versioning is defined by the European Commission in its 2014 report⁶⁷.

History of versioning starts with the price discrimination theory. Tirole (1988) in the theory of Industrial Organization dedicates special attention to the price discrimination. He defines it as “it can be said that the producer price-discriminates when two units of the same physical good are sold at different prices, either to the same consumer or to different consumers”.

Tirole (1988) distinguishes three types of price discrimination – first degree price discrimination, also known as perfect price discrimination, when producer has a success in capturing consumer surplus. Normally it does not happen in practice. When there is an incomplete information about individual consumer preferences but producer still obtains consumer surplus imperfectly, this is the case of second-degree discrimination. And finally, third-degree discrimination lets producer price discriminate by observing indications such as age, location and occupation, that are linked to consumer preferences⁶⁸.

Versioning has always been used by traditional information providers as a method to construct product lines (Shapiro and Varian, 1998). In terms of the digital production of the information, Shapiro and Varian (1998) define versioning as a flexible strategy to manipulate digital data, thus provide different versions. It is the way to sell information to the customers who value

⁶⁶ The length of windows after a theatrical release is based on the example of France.
⁶⁷ EU report on Analysis of the legal rules for exploitation windows and commercial practices in EU member states and of the importance of exploitation windows for new business practices
⁶⁸ This concept was first introduced by Pigou (1922).

existing high-price market without taking an offense at paying diverse prices. These versions are normally based on delay of timing. Moreover, according to Shapiro and Varian, there are plenty ways of differentiation of digital products. Some of them are a) convenience, meaning the restriction of the time and place when customers are able to access the information, also restriction of the length of access; b) comprehensiveness, when the customers are eager to pay premium fee for the detailed information; c) manipulation, ability of the customers to print, duplicate or manipulate information, therefore adding extra fees to do so; and d) image resolution, different users having different quality of the images of digital products.

Digital goods in order to be a success, need smart managing and marketing strategies. The power of versioning is that it uses product management techniques such as segmentation, differentiation and positioning which account unusual economics of information production (Shapiro and Varian 1998).

Moreover, it is also essential to refer to works from Belleflamme (2005), as well as from Calzada and Valletti (2012). On the one hand, Belleflamme's information economy embodies the idea that "every industry makes an increasing use of information and information technology", which lead to the reorganizations and making themselves more productive, therefore creating new ways of doing business (Belleflamme 2005). According to this author, information economy is divided into two complementary sides, which is the content side and the infrastructure side. In the content side, transacted unit is the *information*, which is everything that can be digitized. For example: images, audio and video files, text and etc. This kind of information is transacted into a broad variety of formats and these formats are called *information goods*. This category includes films, books, magazines, music, etc.⁶⁹

Information goods have a very special characteristic of value-based pricing, meaning that they are consumed according to the value given to them by the consumers. It is convenient to say that different group of consumers give a different value to the same information good. Therefore, producers set several value-based prices to their information goods. This concept is known as a price discrimination. Having a zero marginal cost, price discrimination makes it even more efficient.

Classical example of versioning is the offering the same product in various packages, meaning that the sellers distinguish consumers according to their willingness to pay. The same product could be valued differently by different consumers. Thus, the pricing for different packages varies and consumers sort out themselves according to the version which is most suitable for

⁶⁹ In the infrastructure side, he defines "all the technologies for recording, transmitting, distributing, using and processing information" as *information technologies*. Examples include the hardware and software platforms, as well as telecommunication equipment like servers, routers, wires and etc.

them. Here, a very much attention is given to the quality of the information goods given, where versioning of information goods is based on time and quantity as well.

On the other hand, Calzada and Valletti (2012) study a model of film distribution and consumption when a studio releases two goods – theatrical version and video version. They examine the sale of films through sequential distribution channels, where a crucial aspect is the lapse of time between the release in the theatre and on the video form, so called video window. Since the films are shown firstly in the cinema theatres and then following by a video version, it resembles to the principle of “second-best alternative”.

The literature has shown that release of each new version enlarges the market at the same time of the cannibalization of existing versions. Most literature assumes that consumers purchase at most one version of the good, which is not very convenient for the film industry. The explanation for this statement is that consumers may watch the same film more than one time through the different channels of distribution. Therefore, Calzada and Valletti developed a model which does not restrict consumer choice and where consumers make multiple purchases according to their willingness. They highlight particular economic concept “versioning” as a support of release windows. As some people watch films in the theatre, some rent it on DVD and others prefer to watch it on their pay TV, each version is delivered exclusively for the limited period of time.

Versioning and sequencing strategies are being more appropriate when there is a vertical separation between producers and distributors. In the motion picture industry, cinema owners do not want video release becoming available in a short time period. In the contrary, producers and video distributors prefer quicker video release, since it increases video revenues together with the increased benefits of publicity.

Their model considers that a copyright holder – the producer – designs the commercialization strategy of films. Nevertheless, he must conduct separate bargains with the exhibitors and the distributors in order to determine a share of revenues it keeps from each version. Calzada and Valletti show that producer supplies two versions only if its bargaining power with exhibitors is not low. Moreover, it may provide two versions at the same time, therefore improving its ability in price discrimination among people who only buy one version. Independent DVD distributors usually set lower prices than an integrated monopolist. To overcome this issue, producer delays the release of the DVD version.

The finding of Calzada and Valletti are supported by the empirical analysis which shows that major studios in the US have longer video windows than independent producers (Waterman et al. 2010). They have also observed that shrinking of the video window in last years is related to the increase of producers’ bargaining power towards different channels and also the quality

offered by theatrical and video versions. This statement is affirmed by the example of *Alice in Wonderland* (2010), where exhibitors had a struggle with Disney. Instead of waiting regular four months, Disney wanted to release the film on DVD three months after its theatrical release, believing that such flexibility is essential to fight piracy. This situation put exhibitors in fear that it would threaten their box-office takings. However, Disney broke the four-month theatrical window and despite of this fact *Alice in Wonderland* reached its peak by becoming 5th highest grossing films of all time. Taking into consideration the different interests of different players of film market, next section is a follow up of this subject matter.

2.2 Gains and losses of key actors

Distributors and exhibitors have their own incentives to somehow organize release strategies around long window. Cinema theatre window should be maintained in order to attract the audience to the cinema. However, there is a clash of interests between the key players of the film market. Some distributors may choose to shorten window for one film in order to take an advantage of marketing effect for DVD revenues to boost without risking cinema going experience. If all distributors do the same, theatrical window would fail (Bakhshi 2007). Because of this reason, in some countries there are policy regulations relating window release strategies.

In the early studies, release window reflects the trade-off that distributors have between cannibalisation and marketing effects (Bakhshi 2007). Distributors of the motion picture prefer to have longer windows in order to achieve higher box office revenues. However, shorter windows let them gain a lot on DVD sales while the film is fresh and still popular in public, therefore having a marketing effect (Frank 1994, Lehmann and Weinberg 2000). In this case exhibitors care only about the cannibalisation effect and therefore prefer to have longer windows.

In the process of a theatrical release of the film, usually producers and exhibitors agree to share box-office revenue. However, according to Vogel (2007) and McKenzie (2008), while producers get a share of revenues generated by theatrical version, exhibitors have incentives to decrease admission prices in order to increase their popcorn and concession prices (Calzada and Valletti 2012). Therefore, it creates a nonstop struggle over admission prices between producers and exhibitors. In this case exhibitors have a market power, while producers have the power on the rental price of the film paid by exhibitors.

As we see, there is a significant clash of interest between exhibitors/theatre owners, producers/distributors and customers. Studios and film distributors license films for the theatrical release through the negotiations to the exhibitors for a specific number of days (Goldberg 1991). Therefore, distributors get the percentage from theatrical receipts. This percentage is split between distributors and exhibitors based on a sliding scale (Prasad et al. 2004). Distributor gets the larger portion in the early part of the release, while exhibitor get the larger portion during the second half of the release (Goldberg 1991, Sills and Axelrod 1989). This case gives the exhibitors an incentive for keeping the film on screen for a longer period of time, even after the sales decline. Moreover, all the profits from food and drinks are gained by exhibitors and counts quite a considerable amount of gain (Friedberg 1992).

However, reduction of the theatrical window without compensation will cause a huge loss for theatre owners. They invest large amount of financial capital, such as 3D and digital projectors, in the exhibition of films. With the expansion of digital platforms, online content providers continue to expand. In this case, the only solution for the theatre owners is to blacklist films. However, it can cause the revenues to shrink and moreover cause increased prices for theatre owners. As a result, consumers will use more home-based video entertainment and cinema theatres will struggle to increase ticket sales for the films which are not blockbusters. It costs a lot to acquire screening copies, as well as marketing motion picture content is extremely expensive and cinema owners' profit margins are relatively small. Generally, distributors finance the film project and then distributes the finished product. Therefore, a distributor has a total control over marketing strategies, for example advertising, promotions, as well as the release dates of the film. There is a strong chain between producers and exhibitors and removing it could cause lots of issues for exhibitors. It can cause a reduction in exhibition of screens which will lead the decline of box office revenues and eventually in an extreme case it can cause a shut-down of cinema theatres. So far there appears no middle ground to find a solution for this issue.

Meanwhile, consumers have the right to have access to the newly available motion picture in a big screen experience, as well as the social experience of going to the cinema. Nevertheless, development of digital technologies and mainly electronic devices have made a big-screen experience available at home too. Reduction of the exclusivity window can make it possible to eliminate the core value that theatre offers to the consumers.

Current digital age made it possible to launch a film in a simultaneous release way. It means an immediate release for theatrical and digital streaming on the same day. Subscription services are key players in this regard and they are into the hands of the in-home consumers. However, if the content providers succeed in making digital simultaneous release an ordinary occasion,

cinemas will remain as a key place for the exhibition of motion picture, while cinema lovers will stay loyal and continue attending screenings at the cinema theatres. But it is crucial to note that at some point average consumers are more likely stay at home and pay for the subscription services in order to watch new releases at home.

2.3 Debates around release windows

In the European Union, there is a diversity of frameworks to organize release windows, beginning from legislative and regulatory methods, to free market and industry agreement approach. Only few countries in EU have the legislative provisions towards chronology of media, others regulate release windows through film support rules or industry agreements. In the contrary, some of EU countries choose to leave it up to the industry to regulate media chronology. It is done through sectoral agreements or specific rules regarding release windows. Debates around the release window scheme continues with the rise of digital era. For example, in France, the Lescure Report (2013)⁷⁰ discusses this issue, including number of recommendations for the chronology of media. It highlights that the French system faces significant changes and recommends shortening the period of time before films are available on VoD. Notably reducing the window to three months after a theatrical release. In addition, it opens the room for experiments, such as day-and-date releases, as well as premium releases. In order to increase the harmonization between the physical video window and other type of windows, professional agreements are required (Lescure, 2013). Finally, in 2018 France announced a new media chronology agreement, since there was an urgent need to new reform and reconstruction. According to this new agreement, Pay TV channels have the right for broadcasting film 6-8 months after its theatrical release, while SVOD services like Netflix and Amazon prime could benefit from 15-17 months window after a theatrical release of the film. Although these services must meet some strict conditions in terms of the investment in film production, as well as broadcasting quotas.

It is believed that maintaining release windows system in the cinema industry can promote new creations, however is giving the right to the producer to have a monopoly. From the societal point of view, monopoly is not a suitable situation because it restricts uses of a new cultural product (this case, film). However, having a control on the content can be a powerful ex ante

⁷⁰ Pierre Lescure. Contribution aux politiques culturelles à l'ère numérique. Mai 2013.

incentive to motivate other players in the film industry that would otherwise be neglected. In order to analyse what degree of protection is better for the industry, we rely on the length (duration) of the release windows.

European Union in its report of 2012 identifies a trend towards shortening release windows. It highlights that the introduction of different types of Video-on-demand versions have a substantial impact on the overall organization of windowing system. By providing arguments in favour of a reduction of release windows, makes us help to understand a) given shorter theatrical release, positive marketing impact could be created, b) the need to overcome piracy. Therefore, the 2012 study of European Union puts together the arguments for shortening the chronology of media. At first, it believes that video-on-demand platforms are able to develop a winning offer, also benefit from the cumulative marketing strategies. In addition, producers and distributors can increase their legal audience share by increasing the impact of marketing efforts, and finally, consumers will be able to benefit from this situation, by having more options for consuming the film, as well as accessing the films sooner.

Recent debates have been launched in France regarding so called “SMAD Decree”, which concerns subscribed video on demand platforms like Netflix, Amazon Prime, Disney+. It includes several provisions that aims to revise the balance of power between VOD platforms and the stakeholders of film industry in general. The purpose of the decree is to integrate streaming platforms into the creative funding system of Europe by allocating some percentage (which is between 20-25%) of their turnover in the financing of cinematographic and audiovisual works. It is an obligation which had been imposed to French channels long ago but have never met before. However, the Conseil supérieur de l’audiovisuel (CSA) was responsible to make it work in line with the timeframe set by the French government. Therefore, on January 24, 2022 the new agreement was signed, under which Netflix, Amazon and Disney will broadcast films 15 months⁷¹ after their theatrical release. This agreement is a significant first step in modernizing the release window timeline. It also requires these platforms to invest 20% of their income in French creation (audiovisual and cinema), enrolling in the French cultural exception system.

As seen, an important player in the transformation of the release windows strategies is a growth of subscription services, like Netflix and Amazon. Netflix has a greatest impact on the film and TV industry. Its content is ready to use for customers for easy marketing. Studios and TV companies should adjust to the changes and content to catch up with Netflix. With the new digital technologies Netflix managed to offer its consumers the products which are easy to use

⁷¹ which was 36 months previously

and tailored to their needs and preferences. Netflix can be considered as a creative disruption since it broke existing patterns of behaviour of target audience and therefore made some radical changes in a media industry. For example, it surprised the French Film industry during the Cannes Film Festival in May 2017, by announcing that two films produced by the streaming platform would not be released in cinema theatres. This was a shock for French cinema industry because Netflix wanted to have their films available on the website without waiting. This announce was followed by the one of the artistic directors of the Cannes Film Festival, Thierry Frémaux, stating that according to the new rule, all films competing at the festival must have a theatrical release. As a consequence, Netflix has not changed its release policy and after this announcement none of the films produced by SVoD competed at the Cannes festival.

Conversely, technological changes have influenced the way of consumption of the creative content/film (Doyle 2017). Back in 2005 at the European Film Piracy Summit in London, a Blockbuster Video executive offered a possible solution to the problem: releasing films on DVD and on internet at the same time as they open in theatres. At that time, it was a surprising step. But in recent years, some of the films have been skipping their original theatrical release and as a part of direct-to-video strategy going to the video platforms (Barnes 2008).⁷² Also, simultaneous release strategy, meaning that a film is released on different channels simultaneously, became more common.

In the next section, I describe simultaneous release more and show the examples of the previous experiences related to this matter.

3 Empirical evidence

3.1 Simultaneous release

Despite of a release window scheme, there has been some experiences on the simultaneous release of the films. A simultaneous release of the film in cinemas and home-video channels is called a day-and-date strategy (Foutz 2017, August et al. 2015, Calzada and Valletti 2012). In

⁷² Barnes, B. (2008, Jan). Direct-to-DVD releases shed their loser label. The New York Times.

the case of simultaneous release, film is released in cinemas and other channels (such as DVD, internet, TV, etc.) at the same time/same date. This strategy benefits consumers since they are able to choose how and where they will watch the film. In this case, key financial benefit for independent distributors is that with their limited/small budget, they can spend on one marketing campaign, rather than the separate campaigns for each release window. In January 2006, John Fithian, the president of the National Association of Theater Owners, commented the following regarding the simultaneous release: "It is the biggest threat to the viability of the film industry today."

Opponents of the simultaneous release of other motives include the director Night Shyamalan⁷³, who believes the movies will lose their "magic" if they do not play in cinemas. Shyamalan calls the simultaneous release "heartless and soulless and disrespectful". On the other hand, Andy Whittaker of Dogwoof Pictures said that simultaneous release is a natural step for independent films. This is the only way for entrepreneurs and independents to have a shot in a studio-driven industry. Staggering the release of each film between different release formats has been a "cash cow" for many years, and it might not be easy to dislodge this model because it is also very lucrative.

The actual economic impact is notably small because studies have shown that consumers who download films online are no less likely to go to the cinema or buy/rent a DVD. Nevertheless, watching a film on your computer is a very poor substitute of going to the cinema.

Strong opposition of the key players in the industry show different perspective of the subject. It has been a long time, professionals ask the question whether to keep the release window scheme or to tailor it to the current technological world.

3.2 Previous experiences

In order to see a different view of the matter, in this section I construct a table of experiences (Table 13.) about a simultaneous release, as well as releases which do not respect a chronology of media.

⁷³ He is an American director, producer and screenwriter. He is known for making contemporary movies with supernatural plots and twisting purposes.

To do so, in the examples I include non-traditional experiences, whether it is a day-and-date release, SVoD release or VoD release. I also consider a Box Office revenue, IMDB score and the number of nominations a film has received. Moreover, for some cases main motivation of not respecting a theatrical window is also shown.

Title of film and Date	Production	Budget	Genre	The experience	Box-office revenue	IMDB score	Number of Nominations	Additional information	Motivation
EMR 2005	Shiny Object Digital Video, Inc.	\$145,000 (GBP 90,000)	Thriller	Day-and-date release	N/A	5.3/10	4 wins & 1 nomination	released theatrically, on DVD and on the internet all the same day. First film having simultaneous release.	N/A
Bubble 2006	Amir Feingold Productions	\$1,500,000 (est.)	Comedy, Drama, Romance	Day-and-date release	worldwide \$1,029,926	6.5/10	1 nomination	released simultaneously in the US on DVD and in the theatres	The way to combat piracy
The Road to Guantanamo 2006	A Revolution Films production	GBP 1,500,000 (estimated)	Drama, War	Day-and-date release	worldwide \$1,513,033	7.4/10	4 wins & 6 nominations	released simultaneously in cinemas, on DVD, and on the Internet.	Cutting distribution costs
Alice in Wonderland 2010	Walt Disney Pictures	\$200,000,000 (est.)	Adventure, Family, Fantasy	Early video release (12.5 weeks after instead of 16.5)	\$1.025 billion	6.4/10	Won 2 Oscars. Another 33 wins & 63 nominations	Fifth highest-grossing film of all time	To combat piracy ⁷⁴
God Bless America 2011	Darko Entertainment	N/A	Comedy, Crime, Drama	VoD release first	worldwide \$926,632	7.2/10	5 nominations	First released on video on demand, then in cinema theatres ⁷⁵	N/A

⁷⁴ The studio argues that films typically last about two months in cinemas before they disappear off screens; this means a further two-month wait until the official DVD release, a period used by pirates to flog illegal copies. A shorter window will mean less money lost to the pirates.

⁷⁵ God Bless America premiered on September 9, 2011 at the 2011 Toronto International Film Festival and was released video on demand on April 6, 2012 and in theatres on May 11, 2012. The DVD and Blu-ray for the film were released on July 3, 2012

Carmina or Blow Up 2012	Andy Joke / Jaleo	EUR 40,000 (est.)	Comedy, Drama	Day-and-date release	worldwide \$119,298	6.3/10	6 wins & 12 nominations	released simultaneously in theaters, DVD, on pay TV and online, with positive first-weekend result	Low budget film, cutting distribution costs
A Field in England 2013	Rook Films	GBP 316,000 (est.)	Drama, History, Horror	Day-and-date release	worldwide \$97,195	6.3/10	1 win & 8 nominations	released through several platforms simultaneously	Film received funding from the BFI Distribution Fund New Models strand, which supports experimental release models
In Your Eyes 2014	Bellwether Pictures	\$1,000,000 (est.)	Fantasy, Romance	Day-and-date release	\$1,000,000 (estimated)	7/10	No nominations	released through several platforms simultaneously	Experimental method
Batman: The Killing Joke 2016	DC Entertainment Warner Bros. Animation	\$3,500,000 (est.)	Animation, Action, Crime	Day-and-date release	worldwide \$4,462,034	6.4/10	1 win & 2 nominations.	released simultaneously in theaters and digitally for a one-night event, before a DVD and Blu-ray release	due to its popularity, the film was released simultaneously
A Very Murray Christmas 2015	Netflix	N/A	Comedy, Music, Musical	The film premiered exclusively on their SVOD service	N/A	5.5/10	Nominated for 2 Primetime Emmys. Another 6 nominations.	First released on Netflix	N/A
Roma 2018	Espectáculos Fílmicos El Coyúl Pimienta Films Participant Media Esperanto Filmoj	\$15 000 000	Drama	platformed series of theatrical releases before its streaming premiere	\$5 100 000	7.7/10	Won 3 Oscars. Another 243 wins & 213 nominations	Netflix acquired distribution rights world premiere at the 75th Venice International Film Festival	Netflix's bid for awards legitimacy
6 Underground 2019	Netflix	\$150,000,000 (est.)	Action, Thriller	Released on Netflix and	N/A	6.1/10	9 nominations	Premiered at The Shed in NYC, then digitally	An attempt to develop a

	Skydance Productions			in limited theatres				released on Netflix and in limited theaters	blockbuster franchise
The King 2019	Netflix, Plan B Entertainment	\$23 000 000 (est.)	Biography, Drama, History	Limited release in theatres, then on Netflix	\$126,931	7.2/10	12 wins & 28 nominations	received a limited release before being released on Netflix	To be eligible for awards
Marriage Story 2019	Heyday Films Netflix	\$18 000 000	Comedy, Drama, Romance	limited release in theatres before streaming	\$2 300 000	7.9/10	Won 1 Oscar. Another 126 wins & 269 nominations	world premiere at the Venice Film Festival	To be eligible for awards
The Two Popes 2019	Netflix	\$40 000 000 (est.)	Biography, Comedy, Drama	Limited release in theatres, then on Netflix	worldwide \$178,457	7.6/10	nominated for 3 Oscars. Another 9 wins & 52 nominations.	Netflix gave the film a theatrical limited release in the US and UK, then started streaming	To be qualified for Oscars
Dolemite Is My Name 2019	Davis Entertainment Netflix	N/A	Biography, Comedy, Drama	Limited theatrical release before digital streaming on Netflix	N/A	7.3/10	Nominated for 2 Golden Globes. Another 29 wins & 65 nominations	world premiere at the Toronto International Film Festival	To be eligible for awards
The Irishman 2019	Netflix	\$159,000,000 (est.)	Biography, Crime, Drama	Limited run in theatres. Original release on Netflix.	worldwide \$961,224	7.9/10	Nominated for 10 Oscars. Another 71 wins & 311 nominations	world premiere at the 57th New York Film Festival	To be qualified for Oscars, it had to run in theatres first
The Laundromat 2019	Anonymous Content Grey Matter Productions Topic Studios Netflix Sugar23	N/A	Comedy, Crime, Drama	Limited theatrical run before being released on Netflix	N/A	6.3/10	7 nominations	world premiere at the Venice Film Festival	To be eligible for awards
Klaus 2019	Netflix Animation Sergio Pablos Animation Studios Atresmedia Cine	\$40 000 000 (est.)	Animation, Adventure, Comedy	released theatrically in selected theaters, then on Netflix	N/A	8.2/10	Top Rated Movies #165 Nominated for 1 Oscar. Another 10 wins & 24 nominations	Film was watched by 40 million members over its first four weeks of release	To be eligible for awards

Atlantics 2019	Netflix	\$1,600,000	Drama, Mystery, Romance	Limited release in theatres, then on Netflix	\$408,372	6.7/10	13 wins & 62 nominations	film premiered at Cannes	To be eligible for awards
The Aeronauts 2019	Amazon Studios	\$40 000 000 (est.)	Action, Adventure, Drama	Limited run in theatres before releasing on Amazon Prime Video	worldwide \$6,628,720	6.6/10	8 nominations	Full theatrical release in the UK, limited theatrical run in the US before debuting on Amazon Prime Video	launch on Amazon Prime Video on December 20, a bid to maximize in- home holiday eyeballs
The Report 2019	Amazon Studios	\$8 000 000 (est.)	Biography , Crime, Drama	Released theatrically two weeks before Amazon Prime release	worldwide \$517,788	7.2/10	Nominated for 1 Golden Globe. Another 4 wins & 10 nominations	premiere at the Sundance Film Festival. theatrically released in the US before being released on Prime Video two weeks later	N/A
The Little Mermaid 2018	Kingsway Productions	\$5 000 000 (est.)	Adventure , Drama, Fantasy	Released only on Netflix with exclusive theatrical runs	worldwide \$2,610, 742	4.2/10	No nominations	Premiere on Netflix	N/A
The Lovebirds 2020	Paramount Pictures MRC 3 Arts Entertainment Quinn's House	\$16,000,000	Action, Comedy, Crime	Scheduled to be a theatrical release, but released on Netflix	N/A	6.1/10	3 nominations	Originally scheduled to be a theatrical release on April 3, 2020, but removed due to the COVID-19 pandemic closing theaters worldwide. Its rights were then sold to Netflix	Ongoing Pandemic first movie pulled from theaters due to coronavirus that's moving to Netflix

Mulan 2020	Walt Disney Pictures	\$200,000,000 (est.)	Action, Adventure, Drama	Scheduled for a theatrical release, but released on streaming platform	\$69,600,000	5.6/10	Nominated for 2 Oscars. Another 2 wins & 41 nominations	Originally scheduled for a theatrical release, but cancelled due to the COVID-19 pandemic.	Ongoing Pandemic
The Invisible Man 2020	Universal Pictures Blumhouse Productions Goalpost Pictures	\$7,000,000 (est.)	Drama, Horror, Mystery	available for digital rental four weeks after it was released theatrically	\$143,000,000	7.1/10	33 wins & 78 nominations	tenth highest-grossing film of 2020	Ongoing Pandemic

Table 13. Table of film exhibition experiences.

These series of examples show that there have been different cases in film industry, where producers did not follow traditional film release strategies. *Alice in Wonderland* (2010) by Walt Disney Pictures is one of the provoking examples of not respecting chronology of media scheme. Video release of this animated film was announced 12.5 weeks after its cinema release instead of regular 16.5 weeks at that moment (Smith and Schuker 2010). Disney believed that films generally last two months in cinema theatres, meaning that there is a two-month gap until they are officially released on DVD. This period gives pirates possibility to leak around illegal copies. To avoid illegal circulation of their film, Disney preferred a shorter window, therefore less money lost to the pirates. At the end, *Alice in Wonderland* became the 5th highest grossing films on all time.

More examples include *God Bless America* (2011), which was premiered on September 9, 2011 at the 2011 Toronto International Film Festival, then was firstly released and on video on demand on April 6, 2012 and then in theatres on May 11, 2012. Then DVD and Blu-ray were released 2 months after. Also, *A Field in England* (2013) was released through several platforms simultaneously. The Hollywood Reporter said, "A Field in England will mark the first time a homegrown title has been released simultaneously in theatres, on DVD, free TV and video-on-demand." The film was funded by the BFI Distribution Fund New Models strand, that supports experimental release models. That is why it has been released experimentally on different platforms at the same time. Multi-platform release of this film was compared to the band Radiohead, when it released its album *In Rainbows* for free. Also, the case of day-and-date release strategy is *In Your Eyes* (2014), which was premiered on April 20 at the 2014 Tribeca Film Festival. The film was put up for simultaneous release in place of theatrical distribution. After its first screening, the venture was announced in a video message from Joss Whedon, who said that the Tribeca premiere was "not just the premiere of the film. It is the worldwide release date".

There are also some films which were originally intended to be released on home video, but were released simultaneously both in theatres and digitally. This was the case of *Batman: The Killing Joke* (2016). Due to its popularity, it was released simultaneously just for a special one-night event, before its release on DVD and Blu-ray.⁷⁶ It also received a limited release in Australia, New Zealand and Mexico. Finally, *Batman: The Killing Joke* grossed total \$4.4 million. In the US, the film grossed \$3.2 million on the first night of the Fathom Events

⁷⁶ The film was released digitally on July 26, 2016, while the deluxe edition and combo pack Blu-ray of the film was released on August 2, 2016. On June 8, 2016, Fathom Events and Vue cinemas announced they would release the film in select theatres for one night only on July 25, 2016 throughout the US and the UK. On July 18, 2016, Fathom Events announced that the film would receive an additional two showings on July 26 due to unprecedented demand.

screenings and became the biggest theatrical event in Fathom's history. In addition, it earned \$2,910,693 from domestic DVD sales generated \$2,910,693 while domestic Blu-ray sales generated \$5,743,188, which is in total \$8,653,881 domestic home video earnings.

Limited theatre release got *6 Underground* (2019) and *The Two Popes* (2019) too. *6 Underground* (2019) was premiered at The Shed in New York City on December 10, 2019 and was released digitally to Netflix and only in limited theatres on December 13, 2019. After one month of screening, Netflix announced that the film had been viewed by over 83 million viewers during its first month of release. Also, *The Two Popes* (2019) by Netflix was screened at the 2019 Toronto International Film Festival on September 9 and Netflix gave the film a theatrical limited release in the United States beginning November 27, 2019, and in the United Kingdom beginning November 29, 2019. Subsequently it started streaming on its service on December 20, 2019. It is a fact that Netflix does not publicly reveal the theatrical box office of its films, IndieWire estimated *The Two Popes* grossed around \$32,000 from four theatres in its opening weekend. The site wrote that "the drama is starting more modestly than other recent Netflix titles. Attendance at the two high-end Landmark theaters in New York and Los Angeles has been modest. Neither small-scale auditorium sold out."⁷⁷

Another example of a limited theatrical release is *The Irishman* (2019) which had its world premiere at the 57th New York Film Festival on September 27, 2019 following a limited theatrical release on November 1, 2019. It was followed by digital streaming on Netflix starting on November 27, 2019. According to Nielsen⁷⁸, *The Irishman* got 17.1 million viewers in its first five days of digital release in the US.

One of the interesting cases is *The Aeronauts* (2019)'s release. The film had its world premiere at the Telluride Film Festival on 30 August 2019. The full theatrical release was given on 4 November. Before debuting it on Amazon Prime Video, Amazon Studios released the film in the US on 6 December for a limited theatrical run. Amazon does not reveal exact streaming figures, but Jennifer Salke - head of Amazon Studios - said in an interview with *Deadline*⁷⁹ Hollywood that *The Aeronauts* was the most watched film⁸⁰ of all time on Amazon Prime.

She also explained the rationale behind the release changes, saying that "*The Aeronauts is a spectacular film featuring some of Felicity Jones and Eddie Redmayne's finest work. The level of filmmaking is nothing short of a technical feat that transports you to another world high up in the clouds. The theatrical experience is an important part of our business, but our highest*

⁷⁷ <https://www.indiewire.com/2019/12/holiday-box-office-harriet-jojo-rabbit-two-popes-1202193331/>

⁷⁸ Nielsen Media Research (NMR) is an American firm that measures media audiences, including television, radio, theatre films (via the AMC Theatres MAP program) and newspapers.

⁷⁹ <https://deadline.com/2019/07/amazon-aeronauts-eddie-redmayne-felicity-jones-release-date-1202651250/>

⁸⁰ as of January 2020

*priority is our customers. We know The Aeronauts is a film Amazon Prime Video customers will want access to as soon as possible, and is the perfect example of high-level, quality filmmaking customers can expect from us both in theatres and on Prime. Considering how competitive it has become to capture audiences' attention and how audiences are consuming their entertainment, we believe this is the best choice for the film and that we're delivering our customers an epic film that we believe will be a major player in the awards conversation at the height of awards season."*⁸¹

There exist several films with modified release window scheme due to the ongoing pandemic situation. For example, The Lovebirds 2020 was originally scheduled to be a theatrical release by Paramount Pictures on April 3, 2020, but due to the COVID-19 pandemic lockdown, the film was removed from the release. Then, its rights were sold to Netflix, which released the film digitally on May 22, 2020. In addition, Mulan 2020 was scheduled to be a wide theatrical release, but got delayed several times due to the ongoing pandemic situation. Finally, it got cancelled. However, Disney premiered the film on Disney+ on September 4, 2020, for a premium fee in countries where the service had launched. At the end, Mulan 2020 had a traditional theatrical release in countries without Disney+, where theatres re-opened. It grossed \$69.6 million at the box office⁸² with a production budget of \$200 million, won People's Choice Awards 2020 in Favorite Action Movie, as well as became ReFrame 2021 Winner in Top 100 Most Popular Narrative & Animated Feature.

According to the previous experiences, the overall picture shows that there is no economic rentability in such an experience. In some cases, film budget is higher than the box office revenue, but in other cases the situation is different. Still I could not find a strong impact of such a strategy on the box office revenue. Then what is a motivation for a non-traditional release of the film when the case is not economically important? As observed, one of the central motivations is to cut distribution costs, being eligible for awards in film festivals, while experimental method and film popularity also plays a substantial role in the process of simultaneous release. As for Netflix, it gives a limited theatrical release of its production films just because of qualifying them for awards. However, for the films launched in 2020, the reason was different. Due to the pandemic situation, since the shutdown of cinema theatres producers became obliged to launch films on the platforms instead of waiting for the cinema theatres to reopen.

⁸¹ Extract from an interview <https://deadline.com/2019/07/amazon-aeronauts-eddie-redmayne-felicity-jones-release-date-1202651250/>

⁸² not including digital earnings from Disney+

As observed from the table, various release strategies can affect the consumption of films and therefore the profitability. Having analyzed around 40 press releases about the cases of non-traditional release of films, most cases do not talk about the economic rentability of shortening theatrical windows. The only case was the case of Alice in Wonderland, where Disney made a step ahead and by combating piracy reached the peak of its gross box office revenue. What makes this study valuable is the approach to the issue of the release window strategy, beginning with the table of previous experiences to show an overall picture of the non-traditional release cases, following by the regression analyses developed and presented in the next section. Since there is no detailed information provided with this subject matter, I look for evidence in aggregate data rather than on some examples.

4 Quantitative Analysis

4.1 Model

While the previous section was dedicated to the qualitative approach of the previous experiences, in this section, I specify economic approach employed for my analysis. I employ a quantitative methodology that help to identify possible correlation between the length of the windows release and theatre admission in a specific country on a specific year, controlling for the main drivers of theatre admission. What I am looking for is to test if the length of the window release has an impact on cinema admissions, since it is believed that the longer window is a guarantee for higher cinema admissions. Evidently there are other determinants than the window length that influence cinema attendance, such as substitution platforms, as well as socio-economic and demographic characteristics. Therefore, I develop a model based on socio-economic characteristics of a film industry in order to check if release window policy is an important mechanism for the cinema theatres. For that, I create cinema admissions as a dependent variable of my research. The results allow us to check the relationship between the release window length and cinema admissions.

Demand for the films is determined by the number of admissions in the first window (theatrical window) of a film release. There are different factors that could influence variation in cinema admissions. These are:

- a. Substitution of primary source of film exhibition with other types of media, Subscribe Video on Demand (SVoD) and Total Video on Demand (TVoD, except SVoD)
- b. Economic environment, such as GDP Per Capita (constant USD)
- c. Demographic factors, such as population
- d. Cinema admission prices
- e. Average duration of the theatrical window

Hypothesis: Theatrical window length has a positive impact on cinema admissions.

For the hypothesis testing, I make a simple regression model:

$$\ln(Adm)_{it} = \alpha_1 \ln TVoD_{it} + \alpha_2 \ln SVoD_{it} + \alpha_3 \ln GDP_{it} + \alpha_4 TP_{it} + \alpha_5 \ln Pop_{it} + \alpha_6 WL_{it} + vt + \mu_i + \varepsilon_{it}$$

where,

The dependent variable is **Theatre Admissions** (Adm) given in units of feature film⁸³ tickets sold for each reference year. It captures cinema going experience of consumers and how they enjoy the product on the cinema screens.

The explanatory variables are the following:

SVoD – Subscribed Video on Demand⁸⁴ – defined as the revenues generated from the subscription to a package of audiovisual programmes and video subscription channels, in M EUR. SVOD is considered as the biggest competitor of the traditional services and therefore cinema admissions.

TVoD – Total Video on Demand (except SVoD)– defined as the video on demand, retail and rental revenues from the consumers, in M EUR.

GDP Per Capita (current USD) – captures the economic environment of the country.

⁸³ Film with a running time of 60 minutes or longer. It includes works of fiction, animation and documentaries. It is intended for commercial exhibition in cinemas. Films produced exclusively for television broadcasting, newsreels, commercials, films in video format and films intended for adults (or rated X), are excluded.

⁸⁴ Subscription video-on-demand, the subscription to a package of audiovisual programs

Pop – Population – used as a demographic indicator of the country in order to relate it to the product consumption

TP – Average Ticket Price - Ticket price is calculated as the total revenues generated from tickets sales divided by the number of feature film tickets sold during the year of reference. It is one of the important indicators since it serves as an indicator of accessibility.

WL – Lengths of Theatrical window – shows an average duration of theatrical window length for each country, given in number of days.

However, there are also country specificities that can be captured by a country fixed effect. These specificities include country specific environment, on the one hand policies or agreements related to the cinema industry, on the other hand consumer preferences and number of available screens. I keep them as country specific intercept.

The key difference from the previous literature is development of the common equation including the TVOD and SVOD services, as well as the theatrical window length, altogether explaining the cinema admissions. With the ongoing debates around media chronology, theatrical window length is changing according to the policy implications.

4.2 Dataset

The dataset is concentrated from the year 2011 to the year 2018. UNESCO's database has been used for the data of Total Number of Admissions, GDP and Population, while the data of the SVoD and TVoD revenues have been provided by the European Audiovisual Observatory. In addition, I have used Statista's database for the average cinema ticket price.

I would like to draw a particular attention on the variable of the theatrical window length, which is an important variable in this dataset. In the European Union, there is a diversity of frameworks to organize release windows, beginning from legislative and regulatory methods, to free market and industry agreement approach. Only few countries in EU have the legislative provisions towards chronology of media, others regulate release windows through film support rules or industry agreements. In the contrary, some of EU countries choose to leave it up to the industry to regulate media chronology. It is done through sectoral agreements or specific rules regarding release windows.

I chose 10 European countries for my dataset, with the distinction of:

- a. *Legislative provisions.* There are only two countries with the legislation about the release window system. These are France and Bulgaria. However, only France seems to provide enforcement mechanisms, like fines for those who do not respect the law.

- b. *Rules regarding film support.* In terms of the regulations, European Commission in its report (2014) distinguishes two cases. The first one is when the first support is granted on the basis of theatrical release but without the mentioning the lengths and other details of the release. The second case is related to more elaborated film support rules on release windows. Also, there can be a case of mix of legislation and regulation when film support rules are strengthened through legislation. The examples are Austria and Germany.

- c. *Industry agreements.* Most countries of the European Union grant the industry to do its job in terms of the windows. In this case, key players (producers, distributors, exhibitors) engage in the negotiations and release window scheme is defined according to their interests.

Derive from this distinction, the following EU countries (Table 14.) have been chosen:

Country	Regulations	First Window	Lengths of Theatrical Window	Following Window
Austria	Film support rules (Filmförderungsgesetz from 1980)	Theatre	120-180 days	DVD, Online, Pay-per-view (PPV)
Belgium	Industry agreements (since 23 March 2012)	Theatre	120 days	DVD, TVOD
Bulgaria	Legislation	Theatre	90 days	DVD, Online
Denmark	Industry Agreements (since 2011)	Theatre	85-120 days	DVD, Online, PPV
France	Legislation	Theatre	90-120 days	DVD, TVOD, PPV

Germany	Film Support Rules	Theatre	120-180 days	DVD, Online
Italy	Film Support Rules	Theatre	105 days	DVD, Online, PPV, Pay TV
Netherlands	Film Support Rules	Theatre	120 days	DVD
Spain	Industry Agreements	Theatre	112 days	DVD, TVOD, PPV
Sweden	Film Support Rules	Festival or Theatre	120 days	Swedish television (SVT)

Table 14. Countries and media chronology details

The data was taken from the European Audiovisual Observatory (EAO), since it reports the latest developments in the audiovisual sector and is considered as a unique information source. As being already mentioned above, for my data, I have chosen the time period of 2011-2018 (8 consecutive years). This time period is important because it is considered as a transition period of the subscribed video on demand (SVoD) and streaming services, which has initiated the debates around shrinking theatrical window length. However, the year of 2019 was the year of significant changes in the media chronology of some countries (ex. France), but there is no available data for the year of 2019 to include in the dataset.

Some countries in this research sample have varied range of theatrical window length, while others have the fixed length. For the countries (ex. Austria) which have the time period of 120-180 days of window length, I chose the average number of the days (which is 150 days for Austria) to include in the dataset. Therefore, I have calculated the average number of theatrical window length days for each country.

4.3 Results

Following table (Table 15.) represents the correlation for the key variables of my interest. There is a weak positive correlation between the ratio of cinema admissions (lAdm) and the ratio of theatrical window length (WL).

	L Adm	1 TVOD	1 SVOD	1 GDP	TP	1 Pop	WL
1 Adm	1						
1 TVOD	0.8610	1					
1 SVOD	0.3535	0.5183	1				
1 GDP	0.3103	0.5156	0.1982	1			
TP	- 0.1560	0.0976	0.2805	0.7823	1		
1 Pop	0.9503	0.7615	0.3292	0.0709	- 0.3577	1	
WL	0.3539	0.3633	- 0.0887	0.5373	0.2404	0.2664	1

Table 15. Variables and correlations

I hypothesize that theatrical window length has a positive impact on cinema admissions.

To test the hypothesis, I run a regression test. Regression results for the independent variable which is cinema admissions are reported in the Table 16. My dataset allowed me to run a regression with yearly dummies for 8 consecutive years (2011-2018). In order to produce unbiased estimates of the coefficients, I have used a fixed effect regression. I had to assume that there are no changes over time within each country that I cannot control for. In addition, country fixed effect is able to capture the countries which love cinema more than the countries which do not; countries where cinema theatres are more developed than the countries where it is not the case. I keep all of them as country fixed effect.

Table 16 shows the results of the regression model.

Dependent variable	lAdm (Theatre Admissions)
Explanatory variables	
1 TVOD	0.035 (0.037)
1 SVOD	- 0.002 (0.005)
1 GDP	0.033 (0.626)
TP	- 0.022 (0.058)
1 Pop	- 2.376 (2.219)
WL	- 0.002 * (0.001)
Year	
2012	-0.033 (0.071)
2013	-0.059 (0.061)
2014	-0.052 (0.065)
2015	0.04 (0.131)
2016	-0.039 (0.118)
2017	0.01 (0.102)
2018	-0.034 (0.088)
Country ID	
2	0.806 (0.604)
3	-1.666 (1.336)
4	-1.224 (0.991)
5	7.117 (4.490)
6	7.355 (4.999)
7	6.264 (4.280)
8	2.224 (1.523)
9	5.696 (3.639)

10	0.355 (0.272)
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<i>Number of observations</i>	80
<i>F-value</i>	427.23
<i>Prob > F</i>	0.0000
<i>R-squared</i>	0.9940
<i>Adj R-squared</i>	0.9916

Result of the simple regression result of theatre admissions. Dependent variable is lAdm = Theatre admissions. Data span from 2011 to 2018 with the yearly frequency. Coefficients are shown and standard errors are in parenthesis. Level of significance is represented by Asterisk (*) and is 10%.

Table 16. Regression results

We see that there is no correlation between WL and theatre admission at 0.05 significance level. Even at 0.10 significance level, the explanatory power of WL on theatre admission is very low. The results are not in line with my expectations. In the results, I was expecting the coefficient of windows length to be positive, but it appeared that it is not.

Theatrical window length is found to be an important aspect of cinema admissions: window length does not have a positive effect on the cinema attendance. Longer window length seems to be a signal for lower admissions and not vice versa.

In order to check the robustness of the results, I have also run another two separate regressions - one by using minimum window length⁸⁵ of each country, another by using maximum window length of each country. Their results are more or less similar to the main regression and they once again confirm and validate results of the first regression. In addition, when I run a regression with Adm/Pop as the dependent variable and TVoD/Pop, SVoD/Pop, while GDP Per capita, ticket price and window length stay untouched, regression results still remain unchanged. Final check for robustness was made by diff and diff approach and I still got the same outcome.

My results can also be explained in a different way - where cinema going experience is low, longer windows may protect the industry. There also may be the reverse causality effect meaning that it is not the duration of theatrical window which explains cinema admissions but cinema admissions explain the negotiations on window length. For example, in the countries

⁸⁵ to the contrary of the average we used in the main regression equation

where cinema admission is low, theatrical window length can be prolonged. Professionals in the film industry believe that longer theatrical window will help them, but there is nobody who could anticipate in advance that the film will succeed in cinemas.

From the results we observe that there is no evidence of chronology of media policy helping cinema attendance. TVoD and SVoD revenues only capture a potential effect of substitution. Moreover, I can explain the results by noticing that cinemas and SVoD and TVoD services are different markets and each of them have their audience. In total, they all capture an interest of the people in the film market and cinematography in general. Regarding a chronology of media, I suppose that it is just an industry belief that it protects cinema admissions and therefore cinema theatres too.

In order to capture a picture of cinema going experience prior to the boom of TVoD and SVOD services, here I have constructed following table (Table 17.), which shows the total number of admissions⁸⁶ of all feature films exhibited per country in the period of 2005-2010.

<i>Country</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>
<i>Total number of admissions (millions)</i>						
<i>Austria</i>	15,070	15,772	14,882	14,826	18,072	16,450
<i>Belgium</i>	22,100	23,930	22,676	21,922	21,336	21,230
<i>Bulgaria</i>	2,421	2,381	2,472	2,823	3,175	3,977
<i>Denmark</i>	12,187	12,604	12,121	13,246	14,082	12,952
<i>France</i>	175,520	188,772	178,168	190,081	201,142	206,951
<i>Germany</i>	126,234	134,613	111,400	115,100	135,600	124,200
<i>Italy</i>	90,553	92,113	103,500	99,303	98,939	109,858
<i>Netherlands</i>	20,148	23,070	23,059	23,515	27,288	28,190
<i>Spain</i>	127,640	121,650	116,930	107,813	109,986	101,589
<i>Sweden</i>	14,610	15,290	14,919	15,316	17,395	15,693

Table 17. Total number of admissions of all feature films exhibited in the period of 2005-2010.⁸⁷

According to the table, cinema admissions are somehow stable and do not vary much from year to year, no matter of the services that could substitute cinema going experience. It strengthens the idea that cinema theatres and subscribed services (TVoD and SVoD services) are two different markets.

⁸⁶ In Million Units

⁸⁷ Source: UNESCO Institute for Statistics www.uis.unesco.org

The analysis above contributes to my understanding of the question posed in this chapter: is it still required to have a release window strategy in a digital era? Previously it was believed that media chronology was playing a huge role in the cinema industry. However, the results suggest that the length of the theatrical window has no impact on cinema admissions. Yet, it is controlled by policy regulations.

5 Conclusion

While the film industry has always been in the center of attention, policy of the chronology of media and its challenges in the digital era full of technologies was often forgotten. Consumers have diverse preferences for new releases and therefore within this context, one of the strategic choices producers should make is when and how to release a film, meaning which strategy to choose.

My results suggest that the chronology of media policy is the choice of the industry and its players themselves. It is possible that consumers will benefit from diverse release strategies, while producers will be able to cut marketing fees according to the film release strategy they choose. With regard to cinema owners, there is no evidence they get harmed by abandoning classical release windows system.

The key feature of my analysis which differentiates this study from previous researches, is the link between traditional releases of the films and previous experiences of releases which do not respect the policy of a chronology of media. The analysis of this research has been restricted by the fixed categories of variables. Nothing in the data results permitted us to see that keeping chronology of media is essential for cinema admissions and therefore film industry. There is no proof that traditional theatrical release is necessary. It is not a chronology of media which controls and influence cinema admissions, but the health of cinema theatre itself which lives with lobbying. I argue that it seems only a belief that release window scheme gives a protection to cinema theatres.

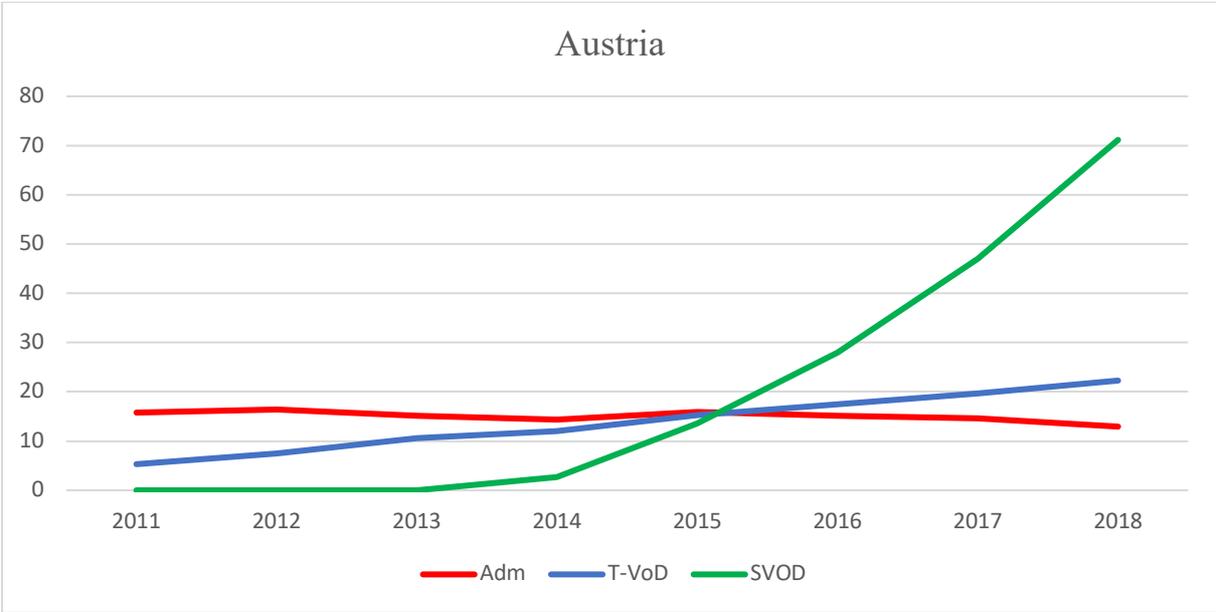
Moreover, I offer a new evidence on the relationship between cinema admissions and release window length, showing that a success of a film (therefore admissions) do not depend on the legislative provisions (release windows scheme regulated by law), or film support acts, or within industry agreements between key players of the market. The only case I justify a

chronology of media is by questioning of cinema theatres survival, compared to the other supports like TVoD and SVoD. In the countries where cinema attendance is very low, it is believed that media chronology plays the role of a protector and since it is a pure protector, theatrical windows could be prolonged according to the cinema attendance. Therefore, the policy of media chronology can only be applicable for the countries with a poor cinema going experience. Derive from the analysis of the experiences I have examined, there is no economic aspect that justifies the existence of chronology of media, neither with the help of the econometric analysis, nor studying the previous experiences.

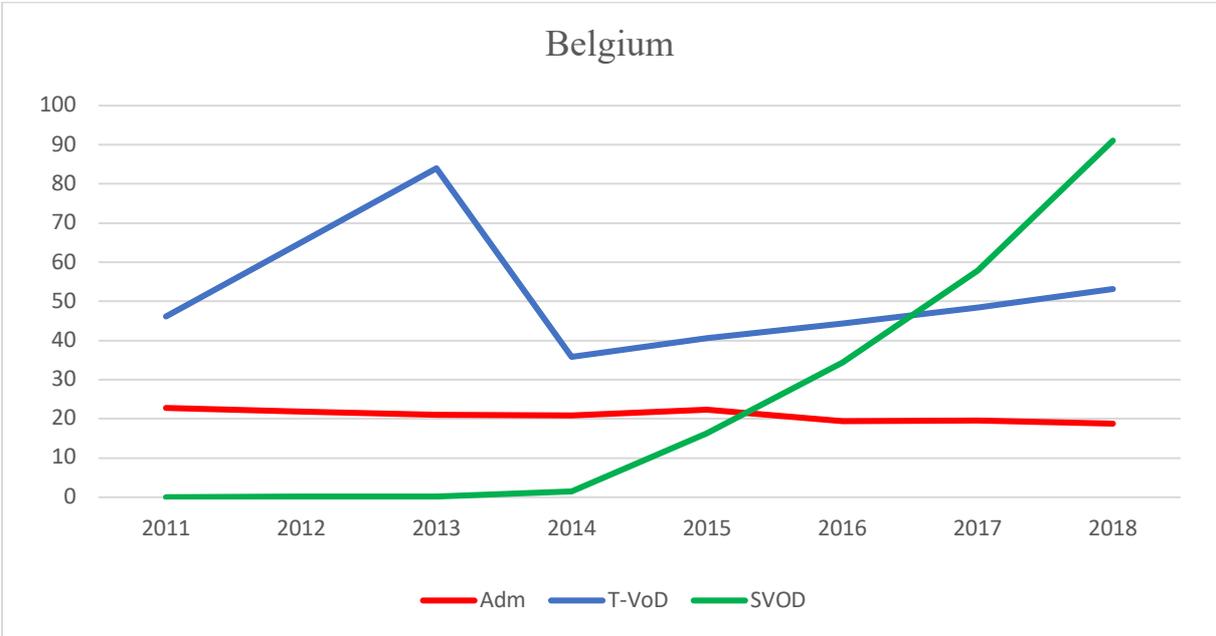
This study fills an important gap in the literature since there are only a few studies associated to the length of theatrical windows and its influence on the cinema going experience. This study is the first valuation of media chronology impact on cinemas in the era of digital platforms. I find that cinema admissions are not significantly impacted by the length of theatrical windows. Obviously, there are some limitations of this study. Firstly, the study only includes EU countries. However, including external countries might not change the overall picture. Secondly, it would have been significant to include the data from digital platforms. If I could obtain this data, I could discuss more on the topic. Generally, digital platforms do not share their data and the access is restricted. However, it is still interesting to see if platforms like Netflix, Amazon Prime, Disney Plus, etc., could benefit from the release windows system. But it is a subject of a new research. Thirdly, film industry is now facing a new era of uncertainty caused by the Covid-19. Due to the strict measures adopted by governments of different countries, film industry was forced to obey the rules and find the new ways to exhibit its creations by operating online in partnership with streaming platforms. Therefore, it would be relevant to observe post-pandemic landscape of a motion picture industry and the way films are exhibited since the beginning of the pandemic. Findings from such studies will enable a more delicate approach whether to keep a chronology of media policy in the era of technological developments or to abandon it. This option is opened to the further research.

Appendix

This section is dedicated to the graphs showing the relationship between cinema admissions⁸⁸, SVoD and TVoD⁸⁹ revenues for each country included in this research. These are Austria, Belgium, Bulgaria, Denmark, France, Germany, Italy, Netherlands, Spain, Sweden.

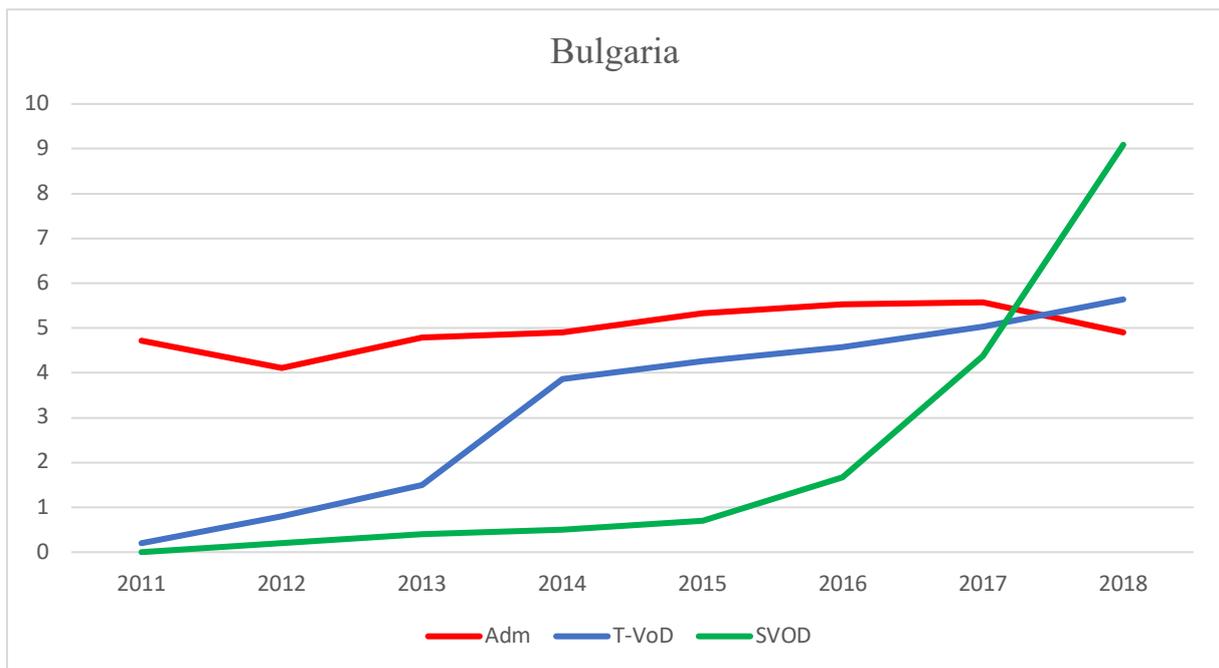


Graph 3. Austria: Yearly revenue from 2011 to 2018

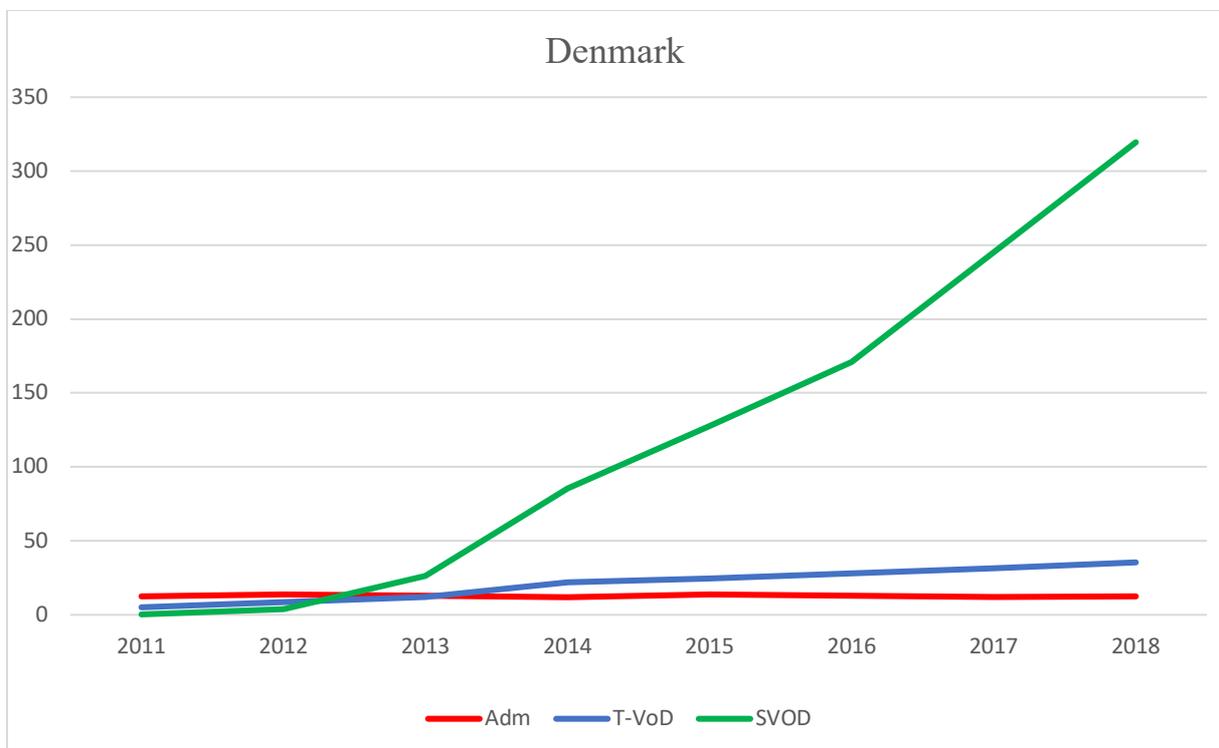


Graph 4. Belgium: Yearly revenue from 2011 to 2018

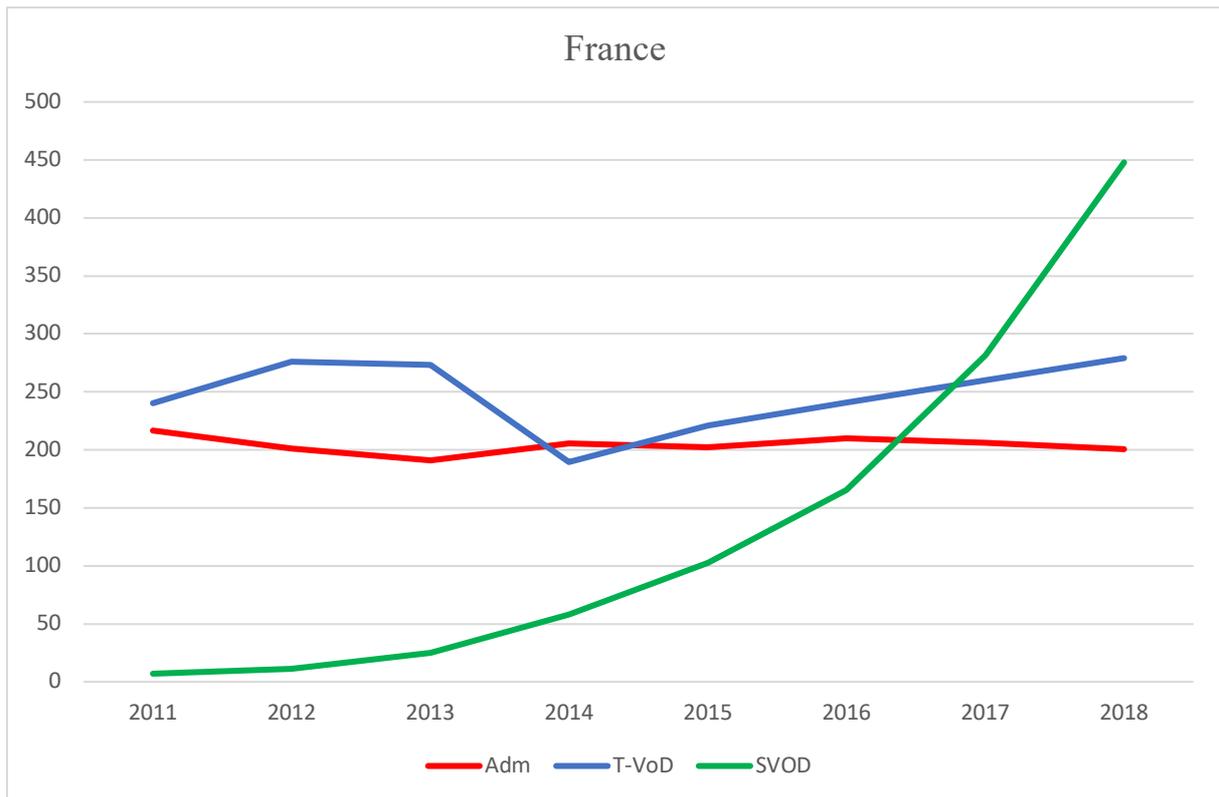
⁸⁸ Adm - total number in M
⁸⁹ SVoD and TVoD in mEUR



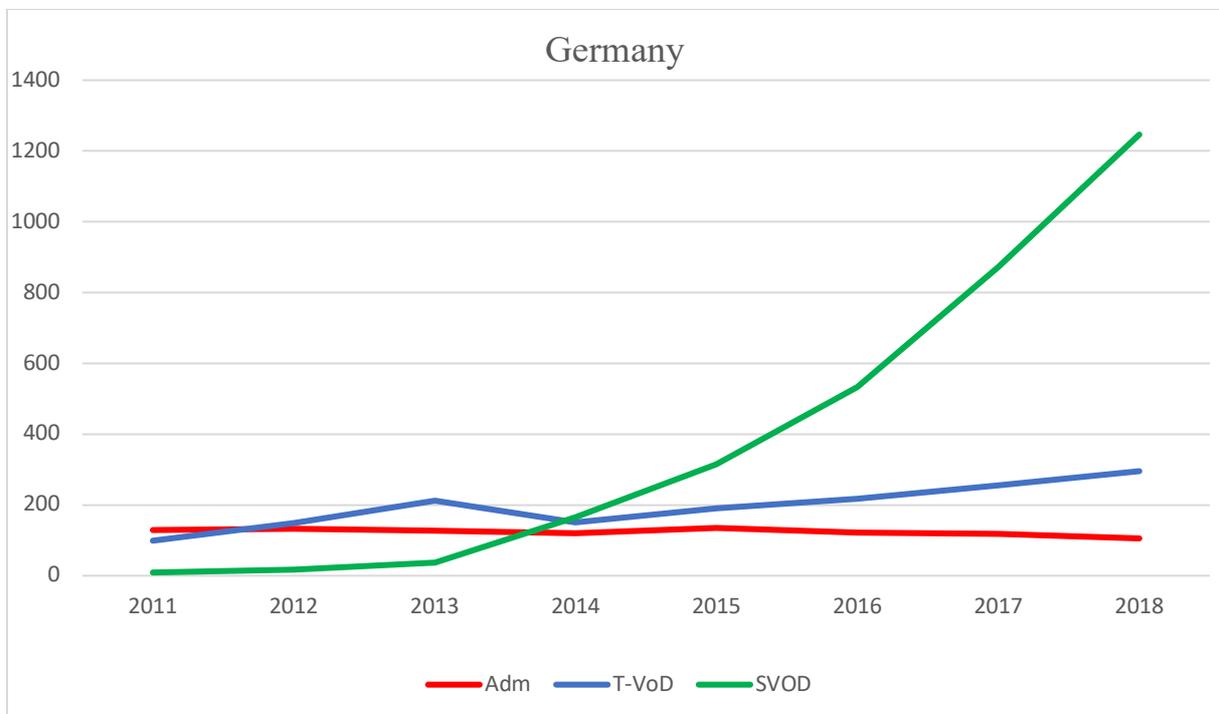
Graph 5. Bulgaria: Yearly revenue from 2011 to 2018



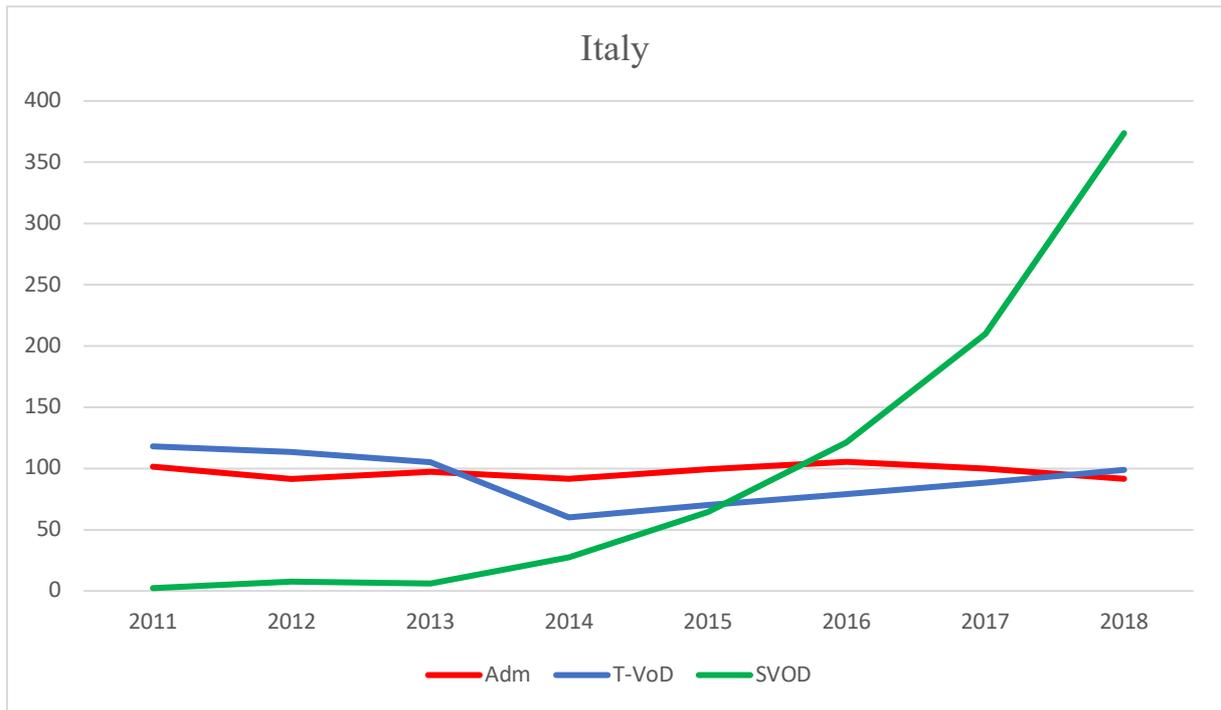
Graph 6. Denmark: Yearly revenue from 2011 to 2018



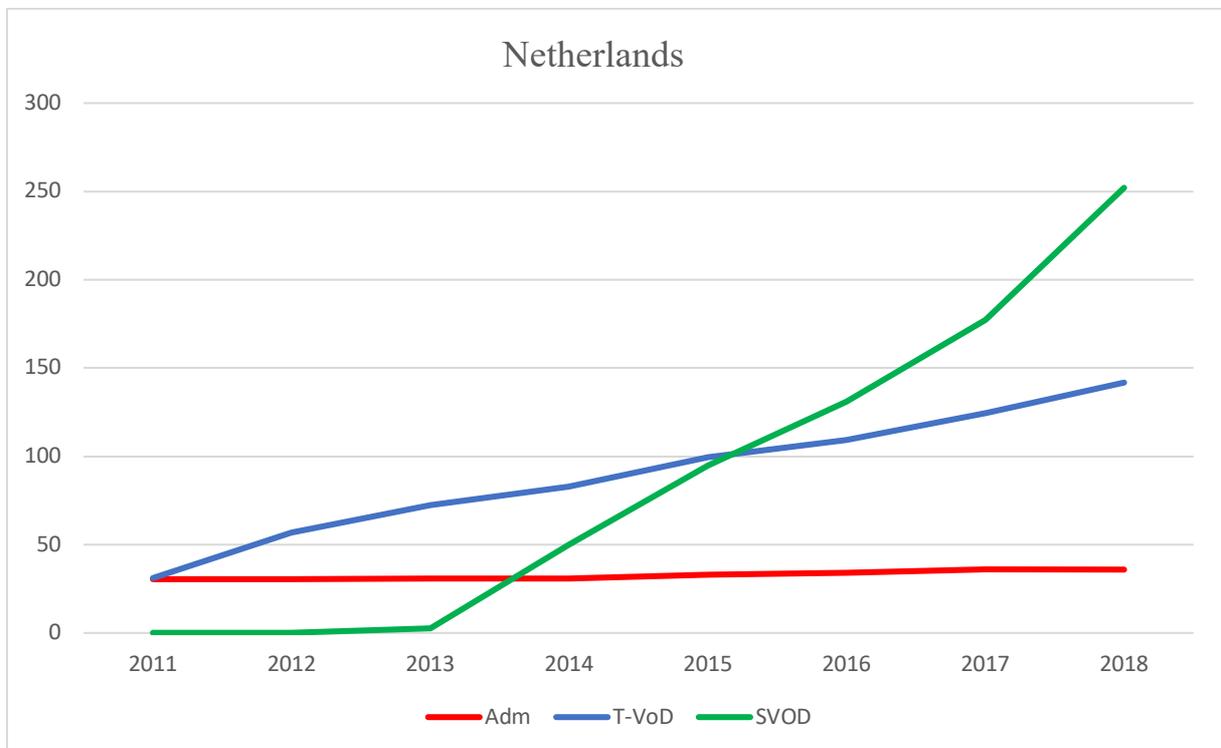
Graph 7. France: Yearly revenue from 2011 to 2018



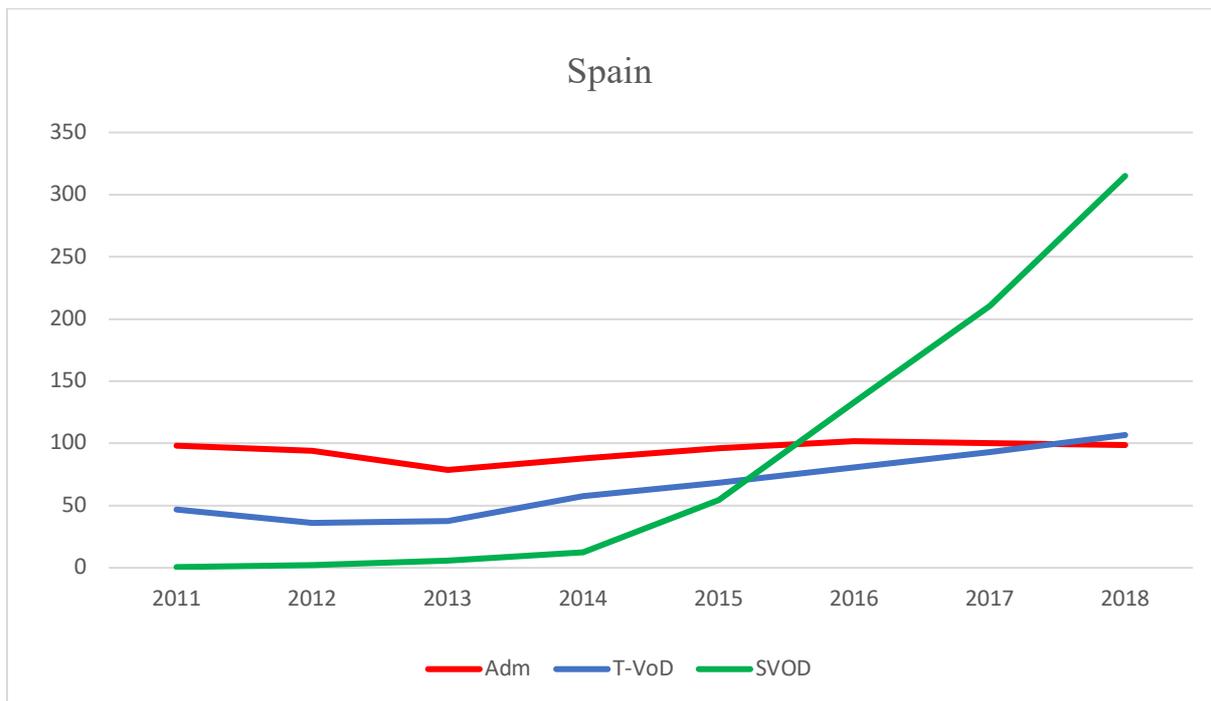
Graph 8. Germany: Yearly revenue from 2011 to 2018



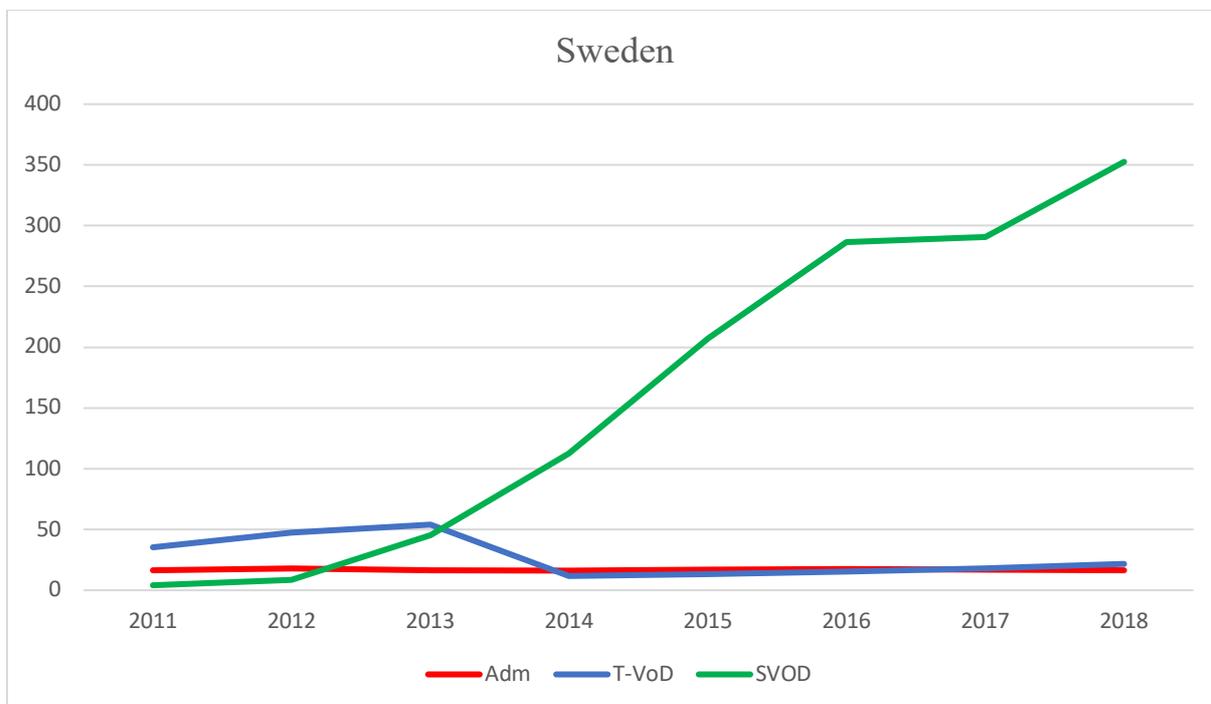
Graph 9. Italy: Yearly revenue from 2011 to 2018



Graph 10. Netherlands: Yearly revenue from 2011 to 2018



Graph 11. Spain: Yearly revenue from 2011 to 2018



Graph 12. Sweden: Yearly revenue from 2011 to 2018

Concluding remarks of the thesis

This thesis has explored how the fields of cultural industries and cultural policies react in the era of technological developments. Goods and services that are generated by cultural industries and cultural activities are a powerful force for cultural and eco-social development. This is due to its dual characteristic, which is both economic and cultural and that goes beyond the ability to generate employment, income and revenues (UNESCO 2014).

There is a lack of research in discussing and assessing specific cultural policies, especially in the digital era. This lack of research has not only a negative impact on the field of cultural policies but it also makes it difficult to construct a practical framework and new policy recommendations that could contribute in the development of cultural policies and therefore culture industries.

The greatest challenge that policy makers and economists have to do with nowadays, is the challenge generated by the digital environment – the reliance on individual players of the cultural market, processes of digitization, emphasis on policy variations created a sphere of winners and losers. There is no doubt that digital technologies and digitization have brought colossal benefits to many players of the cultural industries, in terms of digital production and consumption choices. Still, digital revolution imposes a mortal threat to major creative industries such as publishing, music, film and television (Waldfogel 2018). The rise of big digital platforms can be a risk which may affect cultural policy decision making, and therefore leave cultural industries defenseless. It is advisable to update a methodology to measure cultural trends in the digital landscape, as well as implement strategies to ensure primary goals and objectives of the policies themselves in a digital environment.

This thesis has presented a somewhat cultural policy cases in the frame of specific cultural industries – book industry and the fixed book price policy of the one hand, film industry and the chronology of media policy on the other hand. Book and film industries, together with the music industry, are the creative industries that are more threatened by various challenges of digitization. Digitization has given three diverse possibilities to book market – piracy threat, reduced costs of products and the opportunity for the industry to operate without the supervision of publishing houses (Waldfogel 2018). As with books, digital alteration has been notably strong in the audiovisual industry too. The effects include piracy, reduction in costs and significantly less traffic in distribution (Waldfogel 2018). Moreover, there is an ongoing restructuring in the traditional media providers. Streaming services are growing and developing

more and more, therefore leading the value chain to transform. It is important to mention that the pandemic initiated the emergence of more digital production, distribution and consumption patterns in the cultural industry sphere. This can be an inspiration for some new business models and policy initiatives.

Main arguments that support specific cultural policy making in the era of digital revolution fundamentally lie on the cultural grounds. Thus, market should be structured in a way to achieve positive cultural benefits. As an example of book industry, bookshops are the main players in the cultural landscape, they are democratic places, as well as cultural spots where people share aesthetic and intellectual debates, therefore being essential spirit for the national culture. As an example of motion picture industry, cinema theatres are cultural institutions and thus cinema going experience is the part of the cultural landscape.

The contributions of this thesis are manifold. First of all, it is a contribution to the analysis of cultural policy, its general goals and objectives. From a practical side, it shows if already imposed policy initiatives are necessary to keep in the era of digitization and constant technological developments. Moreover, this thesis could benefit cultural policy consultants and policymakers who seek to develop new policy strategies in a digital era. The findings shine light on the understanding of specific cultural policies and the need to change policy instruments in the time of digital advancements. While this research strategy grounded on specific cultural industries and policies is not used for generalization, it allows to be applicable to other cultural policies that have a link to the digital advancements. It would allow a comprehensive overview of trends and shifts in a policy landscape.

Future research is needed to study the consequences of the pandemic (on the alteration of current specific cultural industry policies that have been influenced by covid-19). It is important to study interrelation between policy and practice. Generally, at an international scale, not only digitization and technological advancements but the pandemic has influenced the ways of modern policy-making.

To finish with,

“While some new technologies have allowed creators to circumvent traditional gatekeepers, it is perhaps ironic that other technologies may foster the emergence of a new class of gatekeepers” (Waldfogel 2018).

In this context, we cannot stop the process of a digital revolution, but to involve a stronger role for a policy action for better regulation and adjustment of some aspects of policy objectives.

Limitations and future lines of research

My thesis investigates the specific cultural industry policy making in the era of digital revolution with the goal of finding primary objectives of these policies and study whether they are still necessary in the digital era. One of the limitations of this dissertation is that it is concentrated only on two specific cultural industries, which is book and motion picture industry. The results of these industries cannot illustrate a global picture of general policy-making. Each industry in a cultural landscape is unique and the technique applicable to one industry may not be appropriate for another.

Another limitation refers to the research method chosen to complete each part of this thesis. My approach for the second and third chapter aimed at understanding primary goals and objectives of the fixed book price policy by using surveys asking the main players in the book market and its policy making. The responses I have received might be personally biased. Moreover, some of the players did not want to participate in the survey. For the fourth chapter of the thesis, the limitation was that there was no data availability from streaming platforms. That could contribute a substantial part to the thesis.

Generally, in my settings, data availability was quite a big problem. I have experienced lots of difficulty to get appropriate data, such as information about book sales, e-book sales, as well as film sales and expenditures. Moreover, the data from streaming services made the research challenging. There are private vendors of those data, but it is significantly expensive to ask for it. Other data simply does not exist at the moment. The ones that exist are only in the property of private firms. Systematic data access needs to be available for all researchers who are able to contribute in the evaluation and adjustment of policy making.

Apart of the data accessing issues, pandemic has imposed lots of difficulties to complete this thesis. However, together with the digital revolution it has opened many possibilities for the future lines of research. Cultural and creative industries were among the first sectors that shut down during the covid-19 crises and have experienced significant economic shocks. As a result, some policy-making mechanisms have been changed (a recent example includes a media chronology policy that have experienced some changes during the time of pandemic). Therefore, it is a right time to investigate cultural ecosystem, its players, as well as policy making mechanisms during and after pandemic period, not neglecting digitization. Together they may illustrate an unusual picture in a cultural policy making landscape.

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NUTSA GURESHIDZE

ENG: CULTURAL POLICIES IN THE TIMES OF DIGITIZATION: EVALUATION AND PERSPECTIVES
FR: LES POLITIQUES CULTURELLES À L'HEURE NUMÉRIQUE : ÉVALUATION ET PERSPECTIVES

ENG: THE THESIS IS STRUCTURED IN FOUR CHAPTERS. THE FIRST CHAPTER, ENTITLED "PREVIOUS LITERATURE ON THE CULTURAL POLICY MAKING AND DIGITIZATION" IS DEVOTED TO AN EXTENSIVE LITERATURE REVIEW INVESTIGATING GENERAL CULTURAL POLICY ISSUES AND CHALLENGES, AS WELL AS THE LINK BETWEEN CULTURAL POLICY AND DIGITIZATION. THE GOAL OF THIS PART IS TO UNDERSTAND THE DIFFERENT WAYS IN WHICH CULTURAL POLICY AND DIGITIZATION CAN INTERACT. THEREFORE, IT ACTS AS A PREFACE FOR THE WHOLE THESIS.

CHAPTER 2 IS NAMED AS "ASSESSMENT OF THE EFFICIENCY OF FIXED BOOK PRICE POLICY. A COMPARATIVE ANALYSIS". IT REVIEWS THE EVOLUTION THE FIXED BOOK PRICE POLICY AND DEFINES ITS REAL GOALS AND OBJECTIVES ON THE BASIS OF COUNTRY CASES. BY IDENTIFYING THE VIEWS OF KEY GOVERNMENT OFFICIALS, NATIONAL BOOKSELLERS ASSOCIATIONS AND NATIONAL BOOK PUBLISHERS ASSOCIATION, IT ANALYSES HOW EFFICIENT THIS POLICY IS DERIVING FROM COUNTRY CASES.

CHAPTER 3 PUTS DIGITIZATION ISSUES INTO THE ACTION AND STUDIES IMPORTANT CHALLENGES OF HOW TO INTEGRATE FIXED BOOK PRICE POLICY IN A DIGITAL WORLD. ENTITLED AS "EFFICIENCY OF THE FIXED BOOK PRICE POLICY IN A DIGITAL ERA", IT INVOLVES TECHNOLOGICAL DEVELOPMENTS, AS WELL AS THE COMPETITION BETWEEN NEW AND OLD TECHNOLOGIES THAT WORK IN A WAY TO ENSURE THE EXISTENCE OF THE FIXED BOOK PRICE SYSTEM TOGETHER WITH THE ADAPTABILITY TO CHANGE.

CHAPTER 4 NAMED AS "SIMPLE ECONOMICS OF MEDIA CHRONOLOGY POLICY IN A DIGITAL ERA" FOCUSES ON THE EXTENSIVE LITERATURE REVIEW AND HISTORICAL MATTERS OF THE RELEASE WINDOW STRATEGY. THERE IS A STRONG ONGOING DISCUSSION ON HOW THE CHRONOLOGY OF MEDIA AND LEGISLATION FIT THE REALITIES OF THE DIGITAL AGE AS THE DIGITIZATION CHALLENGES TIMESCALE PERIODS. THEORETICAL JUSTIFICATIONS ARE GIVEN TO PROVIDE THE EVIDENCE ON THE USEFULNESS OF THIS POLICY.

KEYWORDS CULTURAL INDUSTRIES, CULTURAL POLICIES, DIGITIZATION, FIXED BOOK PRICE POLICY, MEDIA CHRONOLOGY POLICY, RELEASE WINDOWS

FR : LA THÈSE EST STRUCTURÉE EN QUATRE CHAPITRES. LE PREMIER CHAPITRE, INTITULÉ « LITTÉRATURE ANTÉRIEURE SUR L'ÉLABORATION DE POLITIQUES CULTURELLES ET LA NUMÉRISATION », EST CONSACRÉ À UNE ANALYSE APPROFONDIE DE LA REVUE DE LITTÉRATURE SUR LES PROBLÈMES ET LES DÉFIS GÉNÉRAUX DE LA POLITIQUE CULTURELLE, AINSI QUE SUR LE LIEN ENTRE LA POLITIQUE CULTURELLE ET LA NUMÉRISATION. L'OBJECTIF DE CETTE PARTIE EST DE COMPRENDRE LES DIFFÉRENTES MANIÈRES D'INTERAGIR ENTRE UNE POLITIQUE CULTURELLE SPÉCIFIQUE ET LA NUMÉRISATION. CETTE PARTIE CONSTITUE UN PRÉAMBULE À L'ENSEMBLE DE LA THÈSE.

LE CHAPITRE 2 EST INTITULÉ « ÉVALUATION DE L'EFFICACITÉ DE LA POLITIQUE DU PRIX UNIQUE DU LIVRE. UNE ANALYSE COMPARATIVE ». CELUI-CI PASSE EN REVUE L'ÉVOLUTION DE LA POLITIQUE DU PRIX UNIQUE DU LIVRE ET DÉFINIT SES OBJECTIFS SUR LA BASE D'UNE ÉTUDE DE CAS DE PAYS. IL ANALYSE L'EFFICACITÉ DE CETTE POLITIQUE EN IDENTIFIANT LES POINTS DE VUE DE RESPONSABLES GOUVERNEMENTAUX, D'ASSOCIATIONS NATIONALES DE LIBRAIRES ET D'ASSOCIATIONS NATIONALES D'ÉDITEURS DE LIVRES.

LE CHAPITRE 3 ÉTUDIE LES DÉFIS IMPORTANTS LIÉS À L'INTÉGRATION D'UNE POLITIQUE DE PRIX UNIQUE DU LIVRE DANS LE MONDE NUMÉRIQUE. INTITULÉ « EFFICACITÉ DE LA POLITIQUE DU PRIX UNIQUE DU LIVRE À L'ÈRE DU NUMÉRIQUE », IL IMPLIQUE DES DÉVELOPPEMENTS TECHNOLOGIQUES, AINSI QUE LA CONCURRENCE ENTRE LES NOUVELLES ET LES ANCIENNES TECHNOLOGIES QUI FONCTIONNENT DE MANIÈRE À ASSURER L'EXISTENCE DU SYSTÈME DE PRIX UNIQUE DU LIVRE.

LE CHAPITRE 4 INTITULÉ « ÉCONOMIE SIMPLE DE LA POLITIQUE DE CHRONOLOGIE DES MÉDIAS À L'ÈRE NUMÉRIQUE » SE CONCENTRE SUR LA REVUE DE LA LITTÉRATURE ET LES QUESTIONS HISTORIQUES DE LA CHRONOLOGIE DES MÉDIAS. IL Y A DES DISCUSSIONS MAJEURES EN COURS SUR LA FAÇON DONT LA CHRONOLOGIE DES MÉDIAS ET LA LÉGISLATION S'ADAPTENT AUX RÉALITÉS DE L'ÈRE NUMÉRIQUE. LES JUSTIFICATIONS THÉORIQUES SONT DONNÉES POUR ÉVALUER L'UTILITÉ DE CETTE POLITIQUE.

MOTS CLÉS CHRONOLOGIE DES MÉDIAS, INDUSTRIES CULTURELLES, NUMÉRISATION, POLITIQUES CULTURELLES, PRIX UNIQUE DU LIVRE