

From print to screen: changes and challenges facing the Brazilian publishing industry

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RESUMO

Do papel à tela: as transformações e os desafios da indústria editorial brasileira

As novas tecnologias mudam drasticamente o modo como livros são produzidos e consumidos, evidenciando uma quebra de paradigma na indústria editorial. Neste estudo, procura-se compreender como a indústria editorial brasileira está enfrentando essas transformações, capazes de alterar profundamente seu modelo de negócios. Entrevistas em profundidade com os principais executivos de alguns dos principais atores da indústria editorial foram realizadas a fim de coletarem-se dados sobre como esses gestores percebem as mudanças em seu ambiente de negócios e como vão responder a essas transformações. Os resultados sugerem um panorama caracterizado por novos *players* chegando ao mercado brasileiro e por grande ansiedade decorrente da chegada dos livros digitais, que podem alterar de forma significativa questões relativas à gestão de direitos autorais e à precificação, potencialmente redefinindo o papel de um editor no processo de publicação. Como reflexo, os editores vêm construindo alianças como uma tentativa de preservar seu valor no mercado, ainda que se mantenham firmemente agarrados aos modelos de negócio tradicionais.

Palavras-chave: estratégia, plataformas, reconfiguração de negócios, indústria editorial.

1. INTRODUCTION

The publishing industry is facing the most significant change in its history since the 15th century, when Gutenberg unveiled the printing press to the world (Briggs & Burke, 2006). As new models of producing, distributing and consuming books emerge, standards and market practices that have been around for the past five centuries are currently being scrutinized (Bradley & Bartlett, 2012). As this article will address, the ways in which we understand a book and the societal roles of the written word are only a few of the concepts that are being radically challenged by these innovations.

From a production perspective, new technologies now allow books to be written and produced in a fully digital process. By contrast, only a few years ago, paper was essential to the writing and publishing process. An entirely “born-digital” production changes the publishing business environment and its cost structure. Thus, basic principles, such as economies of scale, which used to be a *mantra* for this sector, no longer reign absolute. Many changes have occurred as the publishing process evolved from the copyist monks (who literally handwrote every single page of the Bible to create a copy), through modern authors (who took inspiration from their Remingtons and Olivettis and addressed their typewritten manuscripts with affection), to contemporary digital formats (Briggs & Burke, 2006).

From the distribution perspective, an industry reconfiguration process seems to pose a threat to a seemingly stable business ecosystem. New entrants are now taking the place of formerly entrenched players in the industry, such as distributors and bookstores, and are struggling to dominate the industry. This phenomenon is perhaps best exemplified by the rise of *Amazon.com* as a key player. In certain cases, these changes can cause the bankruptcy of traditional companies, such as Borders (Moss, 2012).

With respect to changes in book consumption habits, Amazon’s Kindle may easily be recognized as a pioneer. Kindle was the first successful commercial e-reader, and it revolutionized the way in which books are read and purchased. Several competitors have arisen since the Kindle (such as the Nook and the iPad), suggesting that electronic reading platforms are a major trend in the industry, instead of just a passing fad. These platforms might redefine the industry’s rules and boundaries (Eisenmann, 2007).

For all these reasons, the publishing industry is a rich object of study. Scholars have neglected it over the past years, especially in Brazil, where studies with a strategic approach on this industry are rare. The literature also reveals that disruptive changes tend to be harsher to incumbents that choose to adopt a defensive stance instead of embracing these changes and preparing appropriately for them (Day, Schoemaker & Gunther, 2000).

This study seeks to understand the perceptions of Brazilian editors with respect to the aforementioned changes in the publishing industry, which may have an enormous impact on the

industry’s structure, business models, profitability and even survival of its incumbents. This industry at this very moment presents a unique opportunity for the analysis and understanding of the incumbents’ perception and reaction to emerging and potentially disruptive technologies, faced for the first time in centuries. Thanks to the delayed introduction in Brazil, incumbents had seen how those innovations had impacted key foreign markets (such as the US) and also knew in advance that the most relevant players of this new digital business, Amazon and Apple, are planning their entrance in the country. Motivated by this historical opportunity we strive to answer the following question: **How are the incumbents in the Brazilian publishing industry addressing and responding to those major potential changes?**

2. INDUSTRY AND CONTEXTUALIZATION

According to Shapiro and Varian (1999), books are quite the perfect example of information goods: i.e., they may be transformed into bits and bytes, and they possess specific characteristics (e.g., their content can be replicated at a marginal cost that is close to zero). Moreover, information goods are experience-driven goods, implying that it is necessary to read a book to evaluate its quality. Reviews and summaries may help the reader generate a primary evaluation of a book’s content, but the final evaluation can only be formed after its consumption. Thus, companies are constantly facing the dilemma of whether they should fiercely protect their intellectual property and the potential gains that may rise from it or instead opt to maximize the propagation of this content, a process that could generate greater buzz and interest about the books (Shapiro & Varian, 1999).

Another contemporary feature of books is that they are part of an industry in which boundaries are becoming fluid, a phenomenon that is generally known as convergence (Jenkins, 2006). Bestselling books have generated movies and games (for instance, this process has occurred for the Harry Potter and Twilight book series), and the converse path has also been observed. For instance, the *Assassin’s Creed* game sequel has been transformed into a literary bestseller. Convergence also enhances the development of transmedia environments, which allow the offer of distinct parts of an imaginary universe through multiple media. From a business point of view, the exploration of these new markets and business models also creates business opportunities that occur simultaneously in otherwise different industries.

The concept of a publishing industry encompasses the entire process of providing content that is traditionally offered via printed media, such as newspapers, magazines, books and instructional material, among other sources, to the general public. The last significant innovation in this industry may be traced to 1450 (Briggs & Burke, 2006), when Johannes Gutenberg invented the movable type printing press. The innovation that

occurred in the publishing industry during the subsequent five centuries may be regarded as purely incremental in nature. However, at the end of the twentieth century, significant shifts began to occur as a result of the Internet and its propagation to the wider public. Changes that not only offer new and challenging business opportunities but also constitute threats to the incumbents. The Internet represents a critical sales medium that allows global access, scalability and the potential for exponential growth. Digital content distribution is possible through a simple download process, which overcomes traditional industry limitations, such as inventory and logistics, which previously restrained publisher's offerings bounded by the value chain perspective. With the advent of the Internet, books may easily be sold online and delivered physically, or the entire process of purchasing, delivering and reading a book may occur online (Sá Earp & Kornis, 2005).

The publishing industry may view the Internet as a continuous source of threats, particularly because it transformed it into a dynamic and competitive marketplace. Amazon may be regarded as the symbol of this transformation. Since its foundation by Jeff Bezos in 1995, Amazon became the largest virtual bookstore in the world and the market leader in the publishing industry (Collura & Applegate, 2000). A new chapter has been recently added to this imbroglio, in which the main actor is the digital book (or e-book). A digital book can be broadly defined as the electronic version of a printed manuscript. Digital books can be read in desktops, laptops, tablets or electronic devices that have been designed for reading purposes (e-readers), thereby eliminating the need for printing the content (Bradley & Bartlett, 2012). It is worth mentioning that the idea of an e-book is not clear to all consumers. The word *book* can mean both the message that is conveyed (words and images) and the medium that is used for this conveyance (paper brochure or hardcover) because it is acceptable to state that there would be no book as we know it without the combination of both of these meanings. Therefore, the term 'e-book' is used to describe content, format, software and reading hardware (Rao, 2003).

Rao (2003) and Long (2003) note clear advantages of e-books relative to physical books: a faster and global publication process, lower costs, greater convenience (because there is no need to store or to physically locate a product in order to sell it), simpler processes of content updating, and greater access to additional functionalities, such as manuscript searching and reader participation. Mobile e-reader devices are attractive to the consumer because they fulfill the same purpose of physical books and allow a large title storage in an object that weighs no more than a single book. The category of mobile e-readers is typically divided into two types of devices: e-book readers, which primarily offer the ability to read e-books, and multipurpose devices, such as Apple's iPad. It may be said that the combination of novel content (e-books), interface software (the app or website where this

content will be downloaded from) and hardware (the e-reader) has created an entirely new platform (Eisenmann, 2007) that has been transforming the industry and may be regarded as a point of no return (Bradley & Bartlett, 2012).

Several impacts of this innovation are evident in the North American market: during the 2009 Christmas season, e-book sales surpassed their physical counterparts. Although digital books represented less than 5% of total book sales in 2009, current estimates project that they will account for 25 to 50% of total book sales in the near future (Bradley & Bartlett, 2012). The most significant players in this ecosystem are:

- Amazon, which provided great impetus to the e-book market with its Kindle launch in 2007 and is the market leader in book sales (both digital and physical);
- Apple, which entered the market in 2010 with the iPad, a device that brings the concept of convergence to consumers;
- Barnes & Noble, a traditional bookstore chain in the US that has recently made the physical-digital transition with the introduction of the Nook e-reader.

Certain threats to the traditional business model may be inferred from these recent changes: Online merchants are replacing traditional brick-and-mortar vendors. In the US market, this trend is most evident if one considers Borders' recent bankruptcy and Amazon's current hegemony. Purely online companies possess advantages over traditional firms, such as lower marginal costs, greater operational efficiency, greater flexibility, increased swiftness and the better understanding of their customers (Collura & Applegate, 2000; Sá Earp & Kornis, 2005). The problems for the traditional vendors that were exacerbated by the advent of the Internet include marketing channel conflicts and technological ineptitude. A multichannel approach has become a burden for many major traditional players. However, as Sá Earp and Kornis (2005) suggest, online sellers may be restricted with respect to their growth strategy, as only a handful of these merchants appear to be able to succeed, and it is therefore highly unlikely that small and medium-sized companies will survive as Internet retailers. Accordingly, e-commerce is a platform-mediated market that tends to present winner-take-all-dynamics (Eisenmann, 2007), with room for only a few players.

Digital books are normally sold at a lower price in comparison to physical books. This phenomenon primarily reflects the pricing schemes that were established by the new market creator (Amazon) when they set digital book prices below their physical equivalents. In addition, the publishing industry usually releases several versions of the same book: first a highly priced hardcover version and months later a cheaper paperback release (Shapiro & Varian, 1999). The increased availability of digital books led consumers to demand the simultaneous release of the digital version and the physical one, which may jeopardise the traditional skimming strategy and the consequent profitability strategy (Bradley & Bartlett, 2012).

Third, control over a book's distribution becomes greatly compromised in a virtual environment. Free public domain books are widely available now, and this availability may further threaten the traditional business model of the publishing industry.

Fourth, the editor's role in this new publishing ecosystem may be questioned because of the recent developments that have broken the traditional structure of the publishing process. At the present time, bestselling authors have the ability to directly address vendors. The advent of on-demand book printing and self-published titles force the editors to reassess their role in the publishing ecosystem and to innovate to remain relevant (Bradley & Bartlett, 2012).

Finally, e-book adoption by schools (and, in certain cases, government-sponsored schools) may drastically change the ways in which books will be consumed, allowing the emergence of disruptive scenarios in which editors are no longer necessary (Schoemaker, 1995).

With respect to the Brazilian market, few researchers have addressed how these new technologies affect readers and how editors are coping with the changes that have arisen in this new business environment (Salgado, Chimenti & Nogueira, 2009). At the present time, this topic is relevant and practical to the Brazilian context, primarily because of both the recent entry of *Amazon.com* and the cultural and historical relevance of the publishing industry to the Brazilian culture.

In 2010 the Brazilian editorial industry generated R\$4.2 billion (approx. US\$2 billion). Industry revenue grew 13.12% in 2010, although this growth was only of 8.3% if government and not-for-profit segments are excluded (CBL, Snel & Fipe, 2011). Considering the specific inflation index for this industry (IPCA Books, which for 2010 was 5.35%), the actual market grew only 2.63%. Furthermore, if government and non-profit contributions were excluded, revenues would decrease by 2.24%. Also, the average book price tag fell by 4.37% in 2010 (CBL, Snel & Fipe, 2011).

Tablets and digital books constitute major sources of uncertainty within this context. As of the first semester of 2011, there were only 196,000 tablet users in Brazil, and digital books figures were even lower. As an example, in the last semester of 2011, the Canadian bestseller "The Shack" ("A Cabana", in Portuguese) had one thousand downloads, in comparison to the 200,000 printed books sold. "Eat pray love" ("Comer, amar e rezar", in Portuguese) had just 75 downloads in April 2010, whereas 10,000 paper versions of this book were sold. By comparison, in the US, there were 13 million tablet users in 2010 (roughly 4.2% of the country's population), and this figure was predicted to rise to 33.7 million users in 2011, or 10.8% of the population (eMarketer, 2011). The share of digital books in the US market jumped from 0.6% in 2008 to 6.4% in 2010, which accounted for US\$ 878 million in sales revenues and 114 million e-book sales (AAP, 2012).

3. THEORETICAL BACKGROUND

The theoretical background of this article is based upon two major lines of research: Innovation studies, which consists on a traditional and broader topic, and Ecosystem Analysis, a more recent field of study that had enlightened the Strategy and Information System fields in the recent years.

This choice is based upon the authors' belief that the major changes that impact the publishing industry are the result of forces that rise from two different types of sources: innovation within the industry and a redefinition of the industry boundaries.

It is usually hard for established firms to adapt to changes in the technologies they employ. Frequently, incumbent firms do not manage the shift to the new technology, losing market share and giving room to new entrants (Cooper & Schendel, 1976; Tushman & Anderson, 1986; Utterback, 1994). Earlier scholars of technology change have argued that incumbent firms may stumble when technological change destroys the value of established technological competencies (Tushman & Anderson, 1986), or when new architectural technologies emerge (Henderson & Clark, 1990).

Christensen and Bower (1996) brought another perspective by drawing upon resource dependency theory (Pfeffer & Salancik, 1978). This theory suggests that a firm's freedom of action is controlled by actors outside the company, like customers and investors. Christensen (1997) distinguished innovations that sustained the industry's rate of improvement in product performance from innovations that disrupted or redefined that performance trajectory. Through studies on the disk drive industry, Christensen and Bower (1996) showed that incumbents usually win sustaining battles whereas entrants succeed in disruptive battles.

New technologies impact information-based industries, particularly if they are considered disruptive (Christensen, Johnson & Rigby, 2002). They potentially alter current business models, creating entirely new markets or allowing the creation of new business models. Day and Schoemaker (2000) categorise these as emerging technologies and analyse their drastic impact upon industry incumbents. For incumbents, even in the presence of previous scale advantages and resources, emerging technologies are often traumatic. For example, attackers dislodged incumbents when ballpoints supplanted fountain pens, diesel electric locomotives prevailed over steam locomotives, and when vacuum tubes gave way to transistors.

While many scholars see this as an issue of technological competence, Christensen and Bower (1996) assert that at a deeper level it is an issue of investment. When technological competence existed, but the existing customer base did not have the impetus towards the new technology, firms were unable to sell what they already could. This happens because disruptive technologies initially tend to be adopted only in different markets whose economic and financial characteristics render them unattractive to established firms.

Addressing these technologies therefore requires a change in strategy in order to enter in a very different market. The key issue appears to be firms' disabilities in changing strategy, not technology (Christensen & Bower, 1996).

Already locked into traditional business models and partners, incumbent companies typically perceive new technologies as threats rather than as opportunities. For Day and Schoemaker (2000), risk and conflict avoidance in the established companies make them vulnerable to four traps. Many of the authors already mentioned in this review explore specific pitfalls, so, we choose this framework to consolidate all the views encountered in the literature about how incumbents can respond to disruptive technologies.

The first trap is **Delayed participation**, meaning the approach chosen by many incumbents that decide to "wait and see" if a new technology will prevail or not, before adopting it. Delayed participation comes from a failure to consider broader applications and from prevailing mental models that reject emerging technologies (Day & Schoemaker, 2000).

New business model adoption is confronted with multiple barriers, one of the most significant being managers' cognitive barriers to change (Kim & Mauborgne, 2005; Voelpel, Leibold, Tekie & Von Krogh, 2005). Dewald and Bowen (2010) illustrate the importance of cognitive inertia in established firms, and how managers in corporate contexts are more conditioned to consolidate or exploit existing business models rather than create new markets. Floyd states that, while existing technologies have a critical mass of technology development and a large applications base to justify them commercially, new technologies lack both committed resources and commercial justification. Their development is therefore a result either of an act of faith by management or of a need for a niche application. Initial development and commercialization are inevitably slow until you reach a critical mass of users and market need, at which point the new technology begins moving up the S curve (Floyd, 1996).

The second trap described by Day and Schoemaker (2000) is **Sticking to the familiar**, which describes the tendency to bet on the current technology instead of embracing the new one. Companies usually fall into this trap to avoid ambiguity, wars for standards and dominant designs, which leads to the maintenance of the status quo, and prevents the detection of emerging opportunities. Utterback (1994) notes that a technological innovation may not take hold in a market until standards are established. Shapiro and Varian (1999) have studied many cases in which standards wars took a long time, such as railways and color TV. Miller (1990; 1993) argues that companies tend to simplify their routines around the functions and competencies responsible for their success. Although such architecture simplicity might make sense in a stable environment, it can cause decline if the world changes.

The third trap is the **Reluctance to fully commit**, meaning that, even when the company overcome the tendency to delay

participation (trap one) and avoid sticking with the familiar (trap two), they may still make a half-hearted commitment (Day & Schoemaker, 2000). The lack of engagement and the imbalance between prudence and risk, lead to a modest initial investment, which can create a disadvantage in positioning. It may be caused by lack of capabilities, underestimation of the emerging technologies potential and new market needs, or by the difficulty of balancing the demands in the markets already known and the requests for emerging technologies.

Accordingly to Charitou and Markides (2003), the challenge for incumbents is that in adopting a new business model, they might run the risk of damaging their existing business and undermine their existing business models (Charitou & Markides, 2003). Moreover, according to Gilbert, Newbery and Reinganun (1984), under conditions of uncertainty, incumbent enterprises already enjoying a degree of market power will invest less in radical innovations fearing the cannibalization of the revenue streams of the existing products. This has also to do with the fact that usually new technologies seem applicable only to smaller market segments. Christensen (1997) argues that customers and many existing stakeholders, including employees, are embedded in the inertia of reliable but old ways and companies seeking to satisfy these stakeholders will dismiss disruptive technologies.

Large companies facing pressure for quarterly results soon lose patience with adverse results, leading to the fourth and last trap, **Lack of persistence**, meaning that, even when the first three traps are overcome, incumbents might disinvest too soon in the new technology.

This mainly occurs due to the sunk cost fallacy and the pressure for short-term results that end up affecting the ability of companies to cope with initial negative results. But, as pointed by Tigre and Noronha (2013), incremental innovations developed to slow down or even revert industrial change are not capable to thrive. Hill and Rothaermel (2003) suggest that incumbents must view emerging technology investments from a real options perspective.

According to the Day and Schoemaker (2000), those pitfalls can be avoided by widening the peripheral vision and creating a culture of learning and sharing information. Flexibility and organizational autonomy are also cited as essential in strategic decision making.

These perceived threats tend to generate passivity or mild reactions from incumbent companies, allowing the entry and growth of new participants in their ecosystems. Those new competitors are typically free from the ties that suffocate innovation, leading to a process that dramatically affects the industry's nature and profitability. Recent history shows us examples of these inadequate managerial reactions in industries such as music (Rivkin & Meier, 2000) and newspaper (Anand & Hood, 2007).

In this challenging environment, alliances forged within the current publishing ecosystem may be paramount to the

incumbents' survival. Doz and Hamel (1998) describe how alliances may be useful for companies that face urgent needs, as they enables learning about innovations and the creation of core competences. Alliances are also important for the establishment of standards and the management of complementary offerings (Shapiro & Varian, 1999), which are critical aspects of making the final product interesting to consumers. Adner (2006) states that innovation in ecosystems involves negotiation and collaborative agreements in which companies combine their individual offerings into a coherent consumer-oriented solution.

The responsiveness of an organization to the innovations is influenced by the scope of its peripheral vision (Day & Schoemaker, 2006). Therefore, a company should not just restrict its vision to its industry, monitoring adjacent industries to detect threats and opportunities outside its surroundings. We must understand how the exchange of resources between industries composes a network of members from various sectors that compete and cooperate with each other, as an ecosystem (Iyer, Lee & Venkatraman, 2006). A business ecosystem perspective appears to provide an adequate analytical perspective for information based industries. In contrast to a traditional value chain approach, an ecosystem addresses "industries" that are in a dynamic and borderless environment, thereby enhancing the perception of convergence and connection between fields that would otherwise be considered separated or unrelated (Iansiti & Levien, 2004; Iyer *et al.*, 2006). An ecosystem analysis offers a comprehensive view of the links established between industries, allowing the perception of sources of value creation and destruction that were previously ignored by traditional strategic monitoring systems (Day *et al.*, 2000).

New ways of analyzing the business environment and outlining strategies have become a necessity (Hax & Wilde, 1999). Models such as Porter's Five Forces (Porter, 1980), although important for manufacturing industries, might seem inadequate to analyze industry convergence phenomena, as they overlook possibilities that might be emerging in other sectors at an increasingly fast pace. Strategy should resort to tools that can monitor the exchange of information and resources among industries, perceiving eventual adversaries and possible allies ahead of time.

The Ecosystem Analysis (Iyer *et al.*, 2006) tries to broadly map the networks comprised of players from several sectors that are influenced by or that have direct business relations, producing a large overview of competition and cooperation within and among industries and identifying the current and potential focuses of value creation and destruction. A company's strategy should take into account the ecosystem to which it belongs, as well as its role in this ecosystem (Iansiti & Levien, 2004). Ecosystem evaluation can help firms with their positioning, strategies and innovations (Adner, 2006). For executives, ecosystem mapping is essential to broadly understand how resources and information travel within the system, supporting the development of a critical view based on threats and opportunities — within and

beyond the original sector of these firms — for the composition of future scenarios for the industry.

The charting of a firm's ecosystem involves mapping all the enterprises with which the firm relates and is linked. Thus, it transcends the identification of the value chain, and includes complementary elements, companies from other sectors and all their stakeholders. For a firm, the value of studying its ecosystem lies in recording the links that make up its network. Generally, the larger the number of links of a given participant, the greater its influence upon the other members of the network and the greater its potential for reconfiguring its links and competencies in order to respond swiftly to environmental changes.

The perception of potential links and absent links offers an overview of future relationships that might represent opportunities and threats. The ability to rapidly seek, choose, consolidate and reconfigure links is essential for firms bent on growth.

As species in a biological system, each member of a business ecosystem shares the fate of the network as a whole, despite the soundness of this member. The strategy of a company should consider, therefore, the health of the entire ecosystem. A firm that acts without understanding the impact on the ecosystem as a whole is ignoring the reality of the networked environment in which it operates (Iansiti & Levien, 2004).

As an ecosystem evolves, organizations tend to occupy three possible positions: Keystone, Dominator or Niche. A Keystone company acts as a crucial hub and aims to promote the performance of the ecosystem as a whole, not by an altruistic impulse, but to ensure their own prosperity. A Dominator uses its influence to explore the ecosystem in an extractive way, capturing value without worrying about other participants. The Niche positioning is highly specialized, performing complementary and different tasks from most of the other participants (Iansiti & Levien, 2004).

According to Iansiti and Levien (2004), keystone organizations play an important role in business ecosystems. Fundamentally, they aim to improve the overall health of their ecosystems by providing a stable and predictable set of common assets. keystones can create value for their ecosystems in numerous ways and the first is usually the creation of a platform, an asset in the form of services, tools, or technologies that offers solutions to others in the ecosystem. The second requirement for keystones' success is that they share throughout the ecosystem much of the value they have created, balancing their generosity with the need to keep some of that value.

Another important strategic implication of dealing with networks and ecosystems is that some highly accepted tools and frameworks might not be applicable in this new scenario (Eisenmann, 2007). For example, in the traditional value chain, value moves from left to right: to the left of the company is cost; to the right is revenue. In two-sided networks, cost and revenues are both at the left and the right, because the platform has a distinct group of users on each side. So, pricing in networked businesses is tricky, because the company can decide to subsidize

one side in order to profit from the other, retaining users that interfere in the system’s network effect. Also, because of network effects, they usually present winner-take-all dynamics, in which the ecosystem will have a dominant hub. So an aspiring platform provider must consider whether to share its platform with rivals or fight to the death. The third challenge is the risk of envelopment, which happens when a hub company decides to offer a new functionality that envelops in its platform an adjacent entire industry (Eisenmann, 2007).

Concluding, the literature review shows that:

- There is a gap in the literature since, despite the recent emergence of models that deal with strategic business ecosystems and converging industries, innovation is usually perceived within an industry’s boundaries. As recent studies focusing on ecosystem analysis show, this new environment requires a new set of strategic tools, for disruptive technologies usually arrive from different industries and are introduced by new players from outside the industry’s scope. Therefore, it is important to understand how incumbents perceive and deal with emerging technologies in a convergent business ecosystem.
- The Brazilian publishing industry is experiencing for the first time the introduction of a disruptive technology, the digital book, making it a perfect case for the study of the phenomenon described above, in an environment that is not used to experiencing disruptive innovations.

4. METHOD

The most common purposes of social research are exploratory, descriptive and causal (Babbie, 2001). Costa Filho (2002) notes that exploratory studies are recommended when the researcher wants to become familiar with a theme or when this is a relatively new field of study, allowing insights about a particular subject. Another categorization, by Gregor (2006), organizes theories in five different possibilities: Analysis and Description, Explanation, Prediction, Prescription, and Design and Action. Due to the exploratory nature and recency of the phenomenon, the aim here is to promote greater understanding and insights into the phenomena of interest. So, it is Explanatory as the theory aims to provide an explanation of how, why, and when things happened, relying on varying views of causality and methods for argumentation. Although some insights are gathered and some propositions are made regarding the future of the industry, the gap perceived on the literature review showed that some steps must be built before prescriptive or predictive affirmatives can be made.

The current study focuses on a recent and on-going phenomenon that has rarely been studied in the Brazilian context. It is essentially exploratory and uses a qualitative approach to comprehend a social phenomenon, its characteristics and its intrinsic meanings (Denzin & Lincoln, 2006). It provides hints and information about interviewees’ motivations, beliefs

and values with respect to the chosen topic and also fosters an intense relationship with the field allowing the emergence of a holistic and deep visualisation of the observed phenomena (Miles & Huberman, 1994; Stebbins, 2008). The researcher should listen to and conduct the interview towards the proposed theme (Mann, 1975). A script was used as a guide to ensure the coverage of the relevant issues highlighted by literature review (Patton, 2002). Data collection was accomplished through in-depth interviews supported by the semi-structured script (Aaker, Kumar & Day, 2004).

The participants were executives in key positions at major Brazilian book editors that specialise in mass market publications. Figure 1 shows the list of interviewees as well as where the editor stands in the 2012 Brazilian biggest publishers ranking according to PublishNews (2012). The in-depth interviews lasted in average one hour, allowing the pertinent issues to emerge spontaneously throughout the sessions.

Interviewee	Position	Publish News Ranking
1	CEO	Top 5
2	Director	Top 10
3	CEO and Founder	Top 5
4	Director	Top 5
5	Director	Top 5
6	Director	Top 10
7	Director	Top 25
8	Director	Top 25
9	CEO	Top 5

Figure 1: List of Interviewees

With respect to an adequate number of interviews, Eisenhardt (1989) suggests that four to ten should be sufficient for gathering data in this instance (especially due to industry’s size and structure) and that field research should be stopped if there are signs that the marginal contribution of each new interview has begun to decrease significantly. This viewpoint represents a perspective that is known as theoretical saturation. During the last interviews, the discourses became increasingly similar, which suggested that saturation had occurred and implied that the search for new interviewees was unnecessary (Yin, 1989). With the participants’ authorisation, all interviews were recorded, and the resulting body of work comprised more than 12 hours and 200 transcribed pages.

Those contents were further assessed using computer-aided qualitative data analysis software, producing micro-categories that were then merged into higher-order categories using the qualitative data analytic processes proposed by

Miles and Huberman (1994): coding (affixing codes or categories to data drawn from interviews and notes), noting (reflections on the data), abstracting and comparing (materials are sorted and sifted to identify similar phrases and sequences, bringing the categorization into higher-order conceptual constructs or patterns), checking and refinement, generalizing (not a population generalization, but a theoretical) and theorizing (confronting generalizations and building new knowledge). This process is not linear, happening with many points of return in which the researcher can analyse and confront data and theory, refining categories and propositions.

5. RESULTS AND DISCUSSION

The research shows a very coherent and cohesive industry, with interviews presenting many similarities in the way that executives and owners (this is traditionally a family business in Brazil) perceive disruptive technologies. All the testimonies presented in the results section reflect opinions that were consistently encountered during the research process. None represents isolated comments.

The analysis is presented around the four main topics that emerged both from the literature review and the content analysis, according to the Incumbents' Traps: Delayed Participation, Sticking to the Familiar, Reluctance to Fully Commit and Lack of Persistence. Also, a new trap that emerged from the analysis will be proposed.

5.1. Delayed participation

The emergence of the e-books technology was no surprise for the publishing industry. However, according to the theory that describes the incumbents' traps, most of the companies adopted a "wait and watch" approach. This behavior is called **Delayed Participation** (Day & Schoemaker, 2000) and is motivated by two groups of distinct factors, as follows.

The first factor to be considered is **Mental Models**. The research is plenty of rich testimonies that show how people tend to reject something new and unknown that it is hard to choose, a behavior that is aligned with the literature (Kim & Mauborgne, 2005; Voelpel *et al.*, 2005). As stated by interviewee 4:

That's a world I don't know, I must confess, and I don't even want to think about it. (Interviewee 4)

The publishing industry in Brazil is a unique case for the study of how incumbents perceive new technologies, because it has been for centuries a virgin territory for disruptive innovations. As stated by one participant:

Brazilian editors are family businesses that still use the same production methods of 30 years ago. The conception that productivity enhancements are not

compatible with quality is entrenched in their minds. Processes tend to be handcrafted. These are low-efficiency companies — and they've never really worried about that. The outcome is an expensive book, a luxury good. As the digital world forces prices down, these companies will have to change a lot. I think that's the great threat: being unable to cope with these changes. (Interviewee 7)

In this sense, all the companies interviewed believe that printed books will remain important for years to come.

I don't believe editors will perish, otherwise everyone would self-publish. [...] In Brazil, digital books are not even 1%. How can the 1% lead the change process for the other 99%? It just can't be. (Interviewee 2)

On the other hand, some participants recognize the potential market changes brought with the e-books. Still, they perceive themselves unable to influence those changes, which are not perceived as opportunities, but rather as disasters; just like the "Innovator Dilemma" described by Christensen (1997).

It's sort of like asking a dinosaur: if you think there's an asteroid on a collision course: what are you going to do? In my case, I've said to my family that "there's an asteroid coming, and I don't know what's going to happen". (Interviewee 4)

Some interviewees acknowledged the disruptive changes ahead, while suggesting a desire to slow down the e-books adoption rate. Some mention that they are trying to "buy some time", postponing the major changes until their retirement. Here, it is worth citing Tigre and Noronha (2003), for whom incremental innovations developed to slow down industrial transformation will most likely succumb. The testimony from interviewee 1 is very illustrative.

Once upon a time, there was a rich and lonely caliph in Arabia. His only friend was a camel... but the camel didn't speak. So he called a vizier to teach the animal how to speak. The vizier said, "That's impossible, Majesty, it's an irrational being!" The caliph became outraged and ordered his vizier to be executed. After executing some of his viziers, the caliph summoned a wise man, who spent two years studying the animal before reaching a verdict: "For a basic conversation a camel would need to know at least 300 words. It can be done, but it will cost a million rupees and would take 10 years". The caliph was amused, thanked the wise man and said goodbye. When the sovereign left the room, some of his closest aides asked the wise man, "How are you going to do it?" And the wise man

answered, “In 10 years I might be dead, or the caliph might be dead, or the camel would be dead.” For me, the e-book is my camel, and what I really want is to get ten extra years. (Interviewee 1)

The second factor is **Failure to Consider Broader Applications** (Day & Schoemaker, 2000). In the research, most of the interviewees, although familiar with the e-book technology, considered it less important than the current technology (printed paper). None of the participant companies have created business models based on the e-book and they don't seem open to the opportunities that might come from that, just as depicted by Charitou and Markides (2003).

Digital history itself in Brazil is still new, I mean, irrelevant. If you look at the Brazilian books sales ranking you'll see one of our products occupying the second place. That book sells 152 e-books per month. (Interviewee 4)

Amazon has got working capital, know-how, and also some undecided issues, such as where to assemble e-readers and the price they can sell these e-readers in Brazil. [...] The problem is that, sometimes, people don't realize that there are technologies that destroy an industry instead of building one. Then you've got several situations where a business model is not working anymore, but there are no alternatives on the horizon. (Interviewee 1)

It was interesting to perceive that even the only interviewed company that have a solid digital initiative was still operated on a paper-based mindset. All investments regarding digital technologies targeted print-on-demand facilities, aiming at cost and inventory reduction. As a result, other possibilities that usually emerges from digitalization seem to be neglected.

A book's sales margin is, in theory, huge. A book costs R\$ 5.00 [approx. US\$ 2.40] and sells for R\$ 30.00 [approx. US\$ 14.40]. See how much is wasted along the way?... That's freight, returning goods, a lot of stuff [...] For many years, I have perceived this working capital problem. This is the main issue, in my opinion. So on-demand printing is a solution that I've been monitoring. Amazon implemented this strategy 7 or 8 years ago. Amazon has 2 or 3 million files... you think they've got the book, but they don't. They print one book and deliver it. (Interviewee 5)

5.2. Sticking to the familiar

Managers facing disruptive innovation tend to have doubts regarding what technology will become the prevailing one,

around which new opportunities and threats will emerge. Such behavior usually fosters inertia among managers and is described by Day and Schoemaker (2000) as the **Sticking to the Familiar** trap, composed by two major aspects: War for Standards and Dominant Designs.

This research suggests that there is a **War for Standards** being waged in Brazil's publishing industry. The market has long ago established the current standards, throughout decades of practice and consolidation. Thus, the upcoming perspective of a new technology coming and changing not only the pricing structure, but also the business model as a whole, seems really frightening for the incumbents.

In this sense, the major publishing companies in Brazil have created a strategic alliance, denominated DLD (Digital Books Distributer, in portuguese). Shapiro & Varian (1999) argue that alliances are also important for the establishment of standards. According to some interviewees, DLD was created to help Brazilian incumbents protect their business, leveraging their bargaining power when negotiating with global players, such as Amazon, Apple and Google.

Amazon wants to rule the world? So, what do you think Brazilian natives would do, if they knew in advance that Portugal was going to invade Brazil? Maybe they could have created an alliance to negotiate. These guys will come here, and they want to change the traditional business model. So, the idea is to protect our industry from this new entrant. (Interviewee 2)

On the other hand, companies who do not participate in this alliance showed a more critical view about this initiative. Here, interviewees describe a reactive mindset thrusting DLD strategy.

DLD is a bunch of big publishers that gathered together with a clear intention of holding the changes. They do not want to “surf” this “wave” of change... In fact, what they are really doing is telling to the market: “hold it!” (Interviewee 1)

On the **Dominant Design** perspective, one can analyze all the issues involved in a new production paradigm. Book printing and delivering is an expensive and intricate process, controlled by the incumbents. But, when they think about the digital process, it is plenty of uncertainties because none of those companies control this new process and its aspects. As described by Day and Schoemaker (2000), a new technology has immature processes that might seem quite uncouth when compared with the established processes of the old technology.

Right now, if there's a new book, I have to create a spreadsheet and send it to the bookstores — only then is the book listed on its website. This must come

to an end, this whole process must be fully integrated in databases [...]. And I'm sure they won't be able to upload 500,000 Excel spreadsheets manually, but that's the current practice. (Interviewee 6)

5.3. Reluctance to fully commit

Managers dealing with new technologies usually face a tough decision: either reduce risk by making small investments with smaller and slower return of investment or bet wholeheartedly in an unproven novelty to secure its leadership in the market. Day and Schoemaker (2000) describe an incumbent's tendency to underestimate the potential improvements of disruptive technologies, discouraging managers to fully invest in innovations, enabling newcomers to quickly dominate the market. The authors named this behavior **Reluctance to Fully Commit**, and try to explain this behavior. The first possible reason is **Risk Aversion**. In our research, all of the interviewees recognized that their current business model is threatened by the e-book technology. Some have even cited the battered music industry as an example of what not to do. However, it is possible to perceive many common mistakes made by both music and book industries and we might see a similar course of events in the future.

E-books are a reality, and our major concern is that we'd face the same risks and make the same mistakes that the music industry did. So, we think we've already had an example of failure and we don't want to make the same mistakes. (Interviewee 3)

The fear of **Cannibalization** may explain the current course of actions. Gilbert, Newbery and Reinganun (1984) argue that market-share leaders will hesitate to invest in radical innovation fearing the potential cannibalization of their products. In this sense, respondents know that there is something new coming. Something with the potential to replace their main product.

Editors have been influencing book value chains for a long time. But business models, objectives, and new players' concerns are not always in line with authors' and editors' concerns. In the US, where (e-books) had a huge impact on the market, some bookstore chains went bankrupt as a direct consequence of how digital books were implemented there. (Interviewee 3)

Some will say that printed editions would never disappear. And I agree, some categories won't disappear, art books will not end. But what about those book categories that have already vanished? Are there any encyclopedias? They were gone even before Amazon! [...] I think they won't dis-

appear, but in ten years, printed editions will be just 5% of the whole market. Everyone has to go digital, there is no other option. But it's amazingly hard to manage physical and digital models at the same time. (Interviewee 6)

Thinking about the difficulties in dealing with digital technologies, a new set of reasons emerges. First, companies perceive their **Lack of Capabilities** to deal with the digital world as described by Cooper & Schendel (1976), Tushman & Anderson (1986) and Utterback (1994). Something they must know, but they don't. Respondents have cited capabilities, such as e-commerce, digital rights management (to minimize piracy), the adaptation of files to digital format and the knowledge required to think what a book should be in its digital form. The potential convergence of books, games and movies into an enhanced experience is taking place and editors perceive their absolute lack of capabilities to deal with this challenge.

We've just released our first app, which is child-oriented, and we paid R\$ 140,000 (US\$ 70,000) for it. And we're talking about a market where people usually download free or US\$ 1.00 apps. Once I saw an app for a fairy tale book, a beautiful book. Then, I contacted the guy and asked, "Can you license it for us in Brazil?" He said, "So license me your translation rights and I'll sell it on iTunes". I have no interest in this deal. We must learn how to do it here. And I won't sign this. (Interviewee 8)

Unclear Profits might be another reason of the low investment in digital books by the incumbents. Nearly all respondents mentioned that, while profits are none, costs involved in dealing with this new technology are high. Such belief is coherent with Christensen and Bower's (1996) point-of-view that incumbents will not commit to disruptive innovation because those technologies are only saleable in markets with unfamiliar economics.

There's a very high cost to digitize a book, beginning with adapting files. Rights management is also a costly issue. While revenues are near zero, that becomes an issue. Another problem is: you release an e-book... how much will you charge for it? That certainly influences physical books' price. Will I charge the same? If I charge less, will it cannibalize sales? (Interviewee 6)

Another concern mentioned in all the interviews is the new price structure. In this sense, Amazon is perceived as the major threat, mostly because its price policy significantly reduces editor's margins. In the words of interviewee 6, "Amazon is kind of the market's Darth Vader."

There's a factor that alters the rules of the game, and that factor is Amazon. It has consolidated as the biggest book retailer in the US due to its exceptional service standards and also due to a significant price reduction. With Amazon, book prices became a huge issue for the current value chain, for bookstores. (Interviewee 7)

5.4. Lack of persistence

The last incumbent trap pointed by Day and Schoemaker (2000) is the **Lack of Persistence**. It means that even when incumbents try to explore a new technology, they might give up when the first problems arise. And they sure will.

In our research, we have identified in all the interviews something that is called by the cited authors as the **Sunk Cost Fallacy**. Editors have a huge list of titles ready to be printed or reprinted as physical paper books. However, they do not have those books ready in the digital format, because of rights management and logistics. So, again, there is a huge perception that the extra investment (in digital) is too high and they will "miss" everything they already have and already know how to deal with. Such behavior is consistent with Miller's (1990, 1993) argument that firms have the tendency to simplify their routines based on the competencies that enabled its past success.

The first impact on an editor is much more related to rights management than production itself. And that's because contracts signed twenty, ten or just three years ago didn't even mention electronic publishing rights [...]. That creates a burden on legal departments that will lead to complex negotiations, in which each and every item has to be debated and may even have different royalties rates. (Interviewee 7)

There are lots of books that need to be scanned in order to become e-books... There could be some exceptions, but I don't know them. (Interviewee 6)

5.5. The industry view trap

The last trap is a proposition from this study, which emerged from both the field analysis and the literature review. Authors have been working with an ecosystem perspective (Iansiti & Levien, 2004; Adner, 2006; Iyer *et al.*, 2006) for many years, identifying how the blurring of industries' boundaries and the convergence of once distinct businesses create great challenges for established companies.

So, it is proposed that the inability to perceive that the very definition of the industry they are part of might have changed, configures an important trap for incumbents. A helpful

analogy is the already mentioned music industry. Back in 1999, BMG Records carefully analyzed Universal Music's strategic movements (Rivkin & Meier, 2000), but the real game was being played somewhere else, in Apple's research centers, where the real rival was being created. Going back to the early 80's, we could see Steve Jobs at Apple aggressively aiming his guns at IBM, while Microsoft, the real rival, forged an alliance with Intel that controlled the whole PC market for more than two decades (Yoffie & Rossano, 2012).

We have seen many examples in this research that deal with two different aspects: The Convergence Denial and The Value Chain Idealization.

The Convergence Denial is a process by which the industry participants tend to ignore or minimize the opportunities or threats that arise from the fact that the industry boundaries no longer exist. It is important to state that we are not talking about the simple threat of new entrants (Porter, 1980), but a complete reconfiguration of an entire industry. Looking at recent research dealing with networked businesses (Eisenmann, 2007), the publishing industry might be enveloped by huge platforms, such as Amazon and Apple's. But, publishing companies are still acting as Keystones, trying to organize strategic alliances to protect the industry. The neglected aspect is that this industry no longer has clear borders and its usual competitors. In the new dynamic ecosystem, publishing companies might be neither Keystones nor hubs (Iansiti & Levien, 2004).

For example, what will define a book in 10 — 20 years? Will there be different names for a hybrid of things that today we call books, movies, cartoons or games? Are the current book publishing companies capable of dealing with those new formats? It is interesting to realize that, although mentioned by some of the research participants, this is clearly something that they don't want to deal with. Companies seem to be protecting their current territories and assets, ignoring the fact that the very nature of the business is changing.

If digital books become apps and flirt with cinema or other multimedia industries... that would be quite a threat. It would mean that a book would be no longer a book. The big threat is a book becoming something more and more expensive with fewer titles and production values. Another huge threat concerns reading. Literature, particularly children's literature, requires imagination. If you create real videogames, you just "kill" the imagination aspect of reading. (Interviewee 6)

Considering the surge of industries competing with books, like Internet, games, etc. I think big book competitors, mostly for children's literature, are movie studios, cartoons, games, etc. From a production point of view, if retailers move on to be book editors, as Amazon has done... (Interviewee 7)

So, although many participants already perceive those new movements, they still cloister themselves in the comfort zone of a once called publishing industry. It's like playing chess with a familiar opponent, while an earthquake is destroying the building.

The Value Chain Idealization defines an incumbent perception that the current value chain must be preserved at all costs. As disruptive technologies emerge, opportunities abound and, one of the most common is the possibility to create the last mile and have seamless connection with the customer. This opportunity, although technically feasible is strongly rejected by all research participants — they don't want to foster potential channel conflicts with their current partners in the value chain — distributors and retailers. In this case, incumbents are again behaving like Keystones (Iansiti & Levien, 2004) in a new ecosystem in which they may be not so relevant.

Selling directly to our final customers is not an option. I'm sure that's not what we want to do. We have to reinforce the chain, we have to support the bookstores. (Interviewee 3)

The underlying principle seems to be – protecting the bookstore will ensure the endurance of the current value chain – Author > Editor > Distributor > Bookstore > Reader, thus assuring editor's relevance in the business.

The chain — author, editor, distributor and bookstore is a strong one, made up of strong links. Why would you depreciate one of those? It's not good. Why would you downplay a business partner? It's selfish and stupid to do so, you'd kill your goose that lays the golden eggs. (Interviewee 3)

The problem with this approach is that disruptive innovation usually comes from players outside the current industry. If incumbents fail to deliver what customers want and someone else offers it, innovation will happen, despite the editor's efforts.

You can notice a clear book industry verticalization process. Amazon is no longer just a retail company, it is also publishing books, and this changes everything because Amazon would eliminate the editing process as a necessary stage for publishing... The chain is author, editor, distributor, retailer and final customer. Amazon would reduce this process. This raises the question: does an editor add value in this chain, or not? If the answer is no, then the editor will disappear. This will be the big battle. (Interviewee 7)

Authors come here and we tell them: "this character is not good, this chapter could be shorter", that is something intangible. So, if you don't have enough influence to do so, authors will deliver their books

to Amazon and they will sell, but those certainly would be different kinds of book from what they are now. [...] We've been editing books for several years, we know what may help the author, what may value the book. We also invest in author quality, we give them enough time to work, so the author may work at his pace. Retailers normally just don't care about it. (Interviewee 7)

Thus, what we observe is also a discussion on the very nature of the editor's job. What is the value of these players and what will it be in the future. We might not have the answer, but editors will surely benefit themselves from a broader view of the phenomenon and the ecosystem in which they are now.

6. CONCLUSION

The publishing industry is currently experiencing a disruptive process that is affecting its market paradigms and business models for the first time in centuries. The literature review indicated a gap in studies about the strategic challenges and implications faced by the publishing industry players and, so, this study aims to fill this gap, helping both academics and managers to better understand the publishing ecosystem in Brazil, the changes it's been through and their impact on the industry's structure, business models, profitability and even the survival of the incumbent companies. This study also helps the understanding of the major traps faced by incumbents dealing with emerging technologies (Day & Schoemaker, 2000) in business ecosystems (Iyer *et al.*, 2006). It points some traps that emerge from both Innovation and Ecosystem literature that may help executives and academics to understand why the history repeats itself constantly and why incumbents facing disruptive technologies usually fail to react, leading their business to bankruptcy and opening spaces for new companies with innovative approaches, different mentality and new business models.

This research focused on the current changes induced by the entry of large international players into the Brazilian book market and the arrival of e-books. In accordance with their international counterparts in developed countries, Brazilian companies are concerned with the potential loss of relevance in the publishing industry's value system. But, as proposed in this study, they might be failing in perceiving that both their industry and value system have changed into a networked market (Eisenmann, 2007) with ecosystem dynamics.

Editors are trying to keep their relevance in the ecosystem (Iyer *et al.*, 2006) by identifying new complementors (Shapiro & Varian, 1999) and creating alternate ways to satisfy their customer's needs. Studies have suggested that when a company shifts its focus from being centred on products to being focused on their customers, new opportunities may arise that helps strategic sustainability (Hax & Wilde, 1999). In addition, another strategic path emerges from considering the

ecosystem and its platforms (Eisenmann, 2007). To assure their relevance as a hub in this ecosystem, editors must act together and attempt to establish standards (Hax & Wilde, 1999; Shapiro & Varian, 1999). Although partnerships such as DLD appear to be in accordance with this directive, it is limited by the industry view trap. In other words, DLD was created taking for granted that the publishers are hubs and that industry boundaries are clear and still the same. Recent business history and research indicates that this might not be true.

Moreover, the research identifies DLD's reactive character. Such alliance seems to be created to slow down disruptive changes in Brazil's editorial market. According to Tigre and Noronha (2013), a reactive attitude towards innovative technologies deems incumbent firms to failure. Conservative attitudes — which include holding firmly to established business models and establishing a reactive position towards new technologies (Day & Schoemaker, 2000) — may further diminish the ability of editors to lead or participate in the innovation processes. At the present time, these attitudes pose an important strategic threat to the publishing industry. The analyses showed the importance of the Incumbent's Traps framework that connected with the current status of the Brazilian publishing industry.

From a managerial standpoint, this study can help editors to reevaluate their current approach towards new technologies, avoiding the usual traps and evolving towards an ecosystem perspective of their businesses (Iyer *et al.*, 2006). As we've pointed out, large scale e-book adoption can help the industry in leveraging revenues while achieving cost reductions (Shapiro & Varian, 1999), offering a more convenient customer solution (Long, 2003; Rao, 2003; Anderson, 2007) as well as a direct relationship with its customers (Hax & Wilde, 1999), paramount to establish effective CRM strategies, connecting

with customers in a deeper level, learning what they want and increasing loyalty and brand equity.

From an academic viewpoint, the present study provides an unique contribution for researchers trying to understand the impact of emerging technologies on established businesses. Brazilian publishers are facing disruption for the first time and the context is particularly rich because of the entry of major international digital players. Also, the study integrates two relevant lines of strategy investigation: Innovation and Business Ecosystem models. In this sense, it helps understanding how the incumbents' traps manifest and also presents a new trap — the Industry View Trap, that emerged from the confront between the field work and the literature.

Also, the study adds an exploratory step in the knowledge about strategy in the publishing industry in Brazil (Bento & Ferreira, 1982). This industry case can help academics to better understand the impacts of tech-based disruptive changes (Christensen, 1997) in information intensive environments and to analyse the incumbents' perceptions and strategic responses in newly formed ecosystems (Iyer *et al.*, 2006). In this sense, although we present some propositions regarding the future of the sector, this is not intended to be a conclusive study.

Despite the relevance and applicability in the broader Brazilian context, the results presented here should not be considered as representative of the entire population, given the methods used in this study. To the researchers who wish to further investigate this industry, we recommend the use of sampling techniques that allow statistical inferences. This research focused the so-called trade segment (general readers) of the publishing market. The study of textbooks, religious books or technical publications, would certainly contribute to a better comprehension of the dynamics of the entire publishing industry. ♦

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ABSTRACT

From print to screen: changes and challenges facing the Brazilian publishing industry

The publishing industry is at a turning point. Facing the first major disruptive innovation in five centuries, its long-established structure and business model are at stake. Building on literature based on the pitfalls for incumbents, we interviewed key executives from the major publishers in Brazil to understand their perspective. We find that not only are they facing those pitfalls, but we also propose a new one, The Industry View Trap, concerning challenges created by convergence, the difficulty to deal with changes in the ecosystem and the fact that the very definition of the industry you're part of might have changed.

Keywords: strategy, platform mediated businesses, business reconfiguration, publishing industry.

RESUMEN

Del papel a la pantalla: cambios y retos de la industria editorial brasileña

Las nuevas tecnologías han cambiado drásticamente el modo de producción y consumo de libros, lo que señala un claro cambio de paradigma en la industria editorial. En este estudio se busca entender cómo la industria editorial en Brasil está haciendo frente a estos cambios que afectan significativamente su modelo de negocio. Se llevaron a cabo entrevistas en profundidad con ejecutivos de los principales actores de la industria editorial y se recopilaron datos sobre cómo perciben los cambios en su ambiente de negocios y cómo responderán a estas transformaciones. Los resultados sugieren un panorama que se caracteriza por los nuevos jugadores que llegan al mercado brasileño y por la ansiedad que produce el advenimiento de los libros digitales, lo que puede cambiar de manera significativa cómo tratar cuestiones que se relacionan con la de gestión de derechos de autor y la fijación de precios, y redefinir el mismo papel del editor en el proceso de publicación. Como resultado, los editores están forjando asociaciones que tratan de mantener su valor en el mercado, aunque se aferren firmemente a los modelos de negocio tradicionales.

Palabras clave: estrategia, plataformas, reconfiguración de negocios, industria editorial.