Once upon a time there was a book...

Business Model Innovation in Dutch children's publishing

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Abstract

Key words: business model innovation, book publishing industry, children's stories, digitization, iPad apps

The objective of this thesis was to explore which products could cater to the requirements of the customer segments of children's book publishers, and how. Because of digitization, today's children are growing up with touch screen devices like the iPad, and apps. Children's publishers should anticipate these developments by innovating their business models. It was assumed that they could do so by reviewing their business models with the Business Model Canvas as a tool. There is not only one successful model, but there are several 'ingredients' that could contribute to success. Interactivity is one element, like good content, flexible teams, and marketing- and tech-savvy staff. In order to jump to that conclusion, this thesis explored the four business model building blocks – Value, Customer, Production and Financial – of children's app publishers. The main question asked was: How can Dutch children's publishers create a successful business model for narrative children's iPad apps? They should start with approaching apps as new products.

With the help of an exploratory research through ten expert interviews and case studies performed on ten "finalist apps", an insight is given in various business model elements that could contribute to a successful business model for children's iPad apps. The results of this research indicate that Dutch children's publishers are struggling with the Production and Financial blocks. These are seen as the most problematic, especially because of the time intensive and expensive production process. Children's publishers consider the need for tech-savvy third parties the biggest problem. On the contrary, the case studies demonstrate that these tech-savvy parties are responsible for making the finalist apps of the BolognaRagazzi Digital Award. Thus, intangible resources like knowledge and experience seem to play an important role in app production, because these can accelerate the production process and save costs by insourcing.

The most important lesson to be learned from this thesis is that children's book publishers should decide whether they want to compete with these flexible tech-savvy companies or hire them for development. Book publishers should focus on their own advantages, like bigger budgets and networks. There are various possibilities for them to adapt; they can explore these possibilities by reviewing their business models.

Acknowledgements

Contents

1. Introduction: It's time for another story

'What is a book? You may ask. Well, there once was a time when words and images were printed on a material called paper. This, almost lost, art form will always be protected by the stories we create here. Sometimes these stories will also be distributed in the form of interactive Apps for mobile devices.' (Moonbot Studios)

Big shifts and significant changes are taking place in nearly all media sectors, due to digitalization and network technology. Media companies are being confronted with changes continuously and are frantically searching for new revenue streams. They have to be online, participate in social network sites, and produce apps for smart phones and tablet devices.[12] Especially the latter is a threat to the traditional publishing industry. In the news industry there are lots of new initiatives being developed. Newspapers and large broadcasters all have their own apps (Palser, 2011). There is also an ocean of lifestyle and magazine apps, driven by ambitious magazine makers and their advertisers. The one sector that seems a little behind is the book-publishing sector.

This thesis explores the innovation of business models of children's book-app publishers in The Netherlands. Children's publishers need to anticipate on technological developments and on their new customer segments in particular. The focus is on children's apps because nowadays children are growing up with the Internet, social media, smart phones and tablet devices like the iPad. These digital-savvy children are using tablet devices innately and the iPad literally has become child's play (Learmonth, 2010). Publishers should react accordingly, by innovating their business models. The tablet device – I will mainly focus on the iPad – offers a lot of opportunities, but also brings along threats. With this study, I aim to contribute to the understanding of the importance of innovating business models in de book publishing industry.

The academic contribution of this thesis is provided as it builds on – and unites – existing literature about both business models, digitization and publishing. In addition, my research provides insights into a relatively new research subject. The iPad was introduced in January 2010 and therefore scientific literature on this topic is

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[1] App is short for "application" which is a small, specialized software program. See §2.4.
[2] A tablet device - also tablet computer or tablet - is a mobile computer that's larger than a mobile phone but smaller than a laptop. It is integrated into a flat touch screen and primarily operated by touching the screen rather than using a physical keyboard. The screen size is mostly around 10 inch.

quite thin. With my thesis, I hope to contribute to this field of study. Also, I think my research is of social significance. Digital seems to be the new standard and the number of iPad-owners increases. In the second half of 2011, the amount of tablet owners in The Netherlands has grown with 14%. Also, 1.7 million Dutch intend to buy a tablet device in the near future (Intomarkt Gfk, 2011). More and more people are buying their books online or are looking for digital alternatives. These developments are problematic for book publishers. However, the need for people to read – or the need for stories – will always remain. Writing and reading stories are age-old cultural and social events, that don't just disappear (Zipes, 1983). Besides, stories are important from an educational viewpoint (Ohler, 2006). Children's stories will continue to exist and kids will continue to read however, with the current digitization, the form is likely to change from reading on paper to reading on digital screen.

The objective of this thesis is to explore which products and/or services could cater to the requirements of the customer segments of children's book publishers, and how. Children's publishers have to reinvent themselves and come up with a solution and an innovated business model for tablet devices. It is time for another story! The main question of this thesis therefore is: How can Dutch children's publishers create a successful business model for narrative children's iPad apps?[3] I will answer the main question through answering four sub questions first. The first sub question is: How can Dutch children's publishers create and deliver value with narrative children's iPad apps? This question focuses on the value proposition of a business model. The answer to this question should provide insights into how children's publishers can differentiate their offer. Value is closely linked to customer segments, which is the subject of the second sub question: How can Dutch children's publishers best define and reach their customer segments with narrative children's iPad apps? By answering this question, it should become clear how children's publishers could better get to know their (potential) customers and how they can (better) reach these customers. The third sub question focuses on the production of apps by asking: What can Dutch children's publishers change within their production process, in order to adapt to the production of narrative children's iPad apps? The answer to this question should provide insights into how current processes proceed, what the (possible) pitfalls during these processes are and how children's publishers can anticipate. The final sub question deals with the financial part of business and is:

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[3] The word "successful" hereby relates to obtaining something desired and intended.

What possibilities do Dutch children's publishers have in reducing costs and maximizing revenue for narrative children's iPad apps? Insights in costs incurred and revenues received should provide a profitable insight in points of financial improvement. Together, the answers to my sub questions provide an image of the elements that could create a successful business model for narrative children's iPad apps.

In order to answer these questions, I have conducted a qualitative and exploratory research. The two research methods applied concern both semi-structured expert interviews and case studies, through an analysis of successful children's book-apps. I conducted in-depth expert interviews because hereby it becomes clear what Dutch children's book-app publishers currently consider opportunities and challenges in app-publishing, and how their current business model deals with this. The case studies relate to ten finalist-apps of the BolognaRagazzi Digital Awards.[4] The analytical model was drawn up on the basis of the expert interview results. My exploratory research is aimed at identifying key issues essential for that "strategic fit" that enables children's publishers to adapt successfully to change and innovate their business model.

Before these research results are presented, the theoretical framework will be discussed. In chapter two the concept and practice of e-publishing, its advantages, disadvantages and challenges and the need for a new paradigm will be discussed. Also, I will expound on the app- and tablet-concept and will discuss the implications of digital publishing for the book publishing industry. Chapter three deals with the business model concept, the importance of business model innovation in the book publishing industry, various e-business models and its implementation. Chapter four discusses business model innovation in e-publishing for children, by paying attention to the four basic building blocks of a business model. The chosen research methods will be explained within chapter five and the research results are presented in chapter six. Finally, I will conclude my thesis in chapter seven by answering my main and sub questions and present the elements of a successful business model for narrative children's iPad apps.

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[4] The Bologna Ragazzi Digital Award is a contest that was organized for the first time in 2012 and that is associated with the Bologna Children's Book Fair: the biggest event worldwide, for children's book publishers. www.gau.nuv.nl. See §5.1.2.

2. Electronic Book Publishing

Digitization is the foundation of digital book publishing (e-publishing) and digital books (e-books). It is the process of changing content production, storage, distribution, and consumption from an analog to a digital base, thereby changing from physical form to electronic form (Picard, 2011: 6). The digital age has spawned an e-publishing revolution and facilitated the growing prevalence of e-books, which are providing us with a new way to read (Carreiro, 2010: 232). Digital publishing means producing and delivering content that may never appear on a printed page, only as an e-book (Martin & Tian, 2010: 152). But what exactly is an e-book? Many see it as a digital version of the physical book, but a new paradigm is needed. There are different definitions of and various opinions about what an e-book is. One could conceive of e-books as digital content or as reading devices. In this thesis I refer to e-books as digital content and limit the discussion to so-called trade e-books, intended for sale to the general public. The most common genres for trade e-books are fiction, general interest, non-fiction, and children literature (Loebbecke, 2011; Martin & Tian, 2011).

In this chapter I will first describe the concept of e-publishing: I will explain and define what an e-book is and why a new paradigm is needed. Because, as Vassiliou & Rowley (2008) state, it is increasingly important that some agreement is reached regarding the definition, as practitioners and researchers embark on a more extensive engagement with e-books (Vassiliou & Rowley, 2008: 364). I will discuss the concept of book applications and look at the development and possibilities of digital reading devices, such as e-readers and tablets. Subsequently, I will have a closer look at the implications of e-publishing for the traditional book publishing industry.

2.1 What is e-publishing and when did it emerge?

Electronic publishing first emerged in the 1970s, when efforts in e-publishing started with the Project Gutenberg (1971) and the Oxford Text Archive (1976) (Gall, 2005; Vassiliou & Rowley, 2008). In the 1980s and 1990s book vendors started to recognize the possibilities of providing digital content and focused their attention on e-publishing for the academic market, especially with the CD-ROM (Vassiliou & Rowley, 2008: 357). Technology came a long way since then. Today e-books are

available in a range of formats and accessible using a diversity of devices, like PCs, mobile phones, iPods, tablets like the iPad and e-readers like the Sony Reader, Amazon Kindle and the Nook from Barnes & Noble. Each has its own features and specific software. Thus, digital technologies are already in widespread use in the book publishing industry but still, many publishers tend to treat the e-book as a digital version of the physical book. When a new technology is introduced, people tend to view it from the paradigm of the 'old' technology that is (partially) replaced. This is called the horseless carriage-syndrome: old media defines the new media, like the horse and carriage defined the first automobiles (Rutten, 2007: 10). It needs time to change the rules and evolve a new technology into a worthy successor. This is also the case with the e-book, which is understood as a replacement for the paper book. All rules of the physical book are applied to digital books. When reading an e-book on the iPad, you see paper-like pages that you can turn. Therefore, there is a new and clear definition of the concept needed.

However, the e-book concept has proved hard to define. Which is also what James Gall (2005) describes in his article *Dispelling Five Myths about E-books*. The term "electronic book" covers a lot of ground. Or, to cite Erin Carreiro (2010) 'there is no single technology that defines the e-book in the way that paper and binding defines the traditional book.' Different authors struggled with different definitions and like book publishers, most of them view the e-book as a digital version of the printed book (Vassiliou & Rowley, 2008: 360). An agreement on the definition is needed, because the term is now used ambiguously and refers either to hardware like reading devices, software or content in digital format (Gall, 2005; Vassiliou & Rowley, 2008; Carreiro, 2010; Loebbecke, 2011). Due to the lack of consensus, Vassiliou and Rowley (2008) conducted a qualitative content analysis of 37 different definitions and summarized the key terms used, to propose an own two-part definition for the concept. According to them, the most common themes in the quoted definitions are the digital form of e-books, the print book analogy, and the basic components of e-books including content and e-book technologies used to view or read content (Vassiliou & Rowley, 2008: 360). This leads them to a two-part definition, to capture both the persistent characteristics of e-books and their dynamic nature, driven by the changing technologies. Their definition is as follows: 'An e-book is a digital object with textual and/or other content, which arises as a result of integrating the familiar concept of a book with features that can be provided in an electronic environment. In general e-books have in-use features such as search and

cross reference functions, hypertext links, bookmarks, annotations, highlights, multimedia objects and interactive tools' (Vassiliou & Rowley, 2008: 363).

Erin Carreiro (2010) does not define e-books, but sets it apart from traditional books on the basis of a couple of key points. She first recognizes that an e-book is another supplementary option to paper books rather than a replacement. E-books are distinct from books in many ways; in terms of media, distribution, functionality, cost, accessibility, publishing model, user preferences, and layout, for example. She explains that the definition has changed over the years and uses the definition by Vasiliou & Rowley to explain what an e-book is (Carreiro, 2010: 221). Despite their two-part definition, Carreiro still claims that there is no definitive definition. According to her, such a definition will always be in flux. In this thesis I will use the two-part definition proposed by Vassiliou & Rowley (2008) as a reference to the term e-book. It's a relatively recent and thorough definition that captures both the persistent characteristics and dynamic nature. The essence of the e-book will stay the same however; it's naive to think that such a 'technologically sensitive' product will stay unchanged. Digital books make new things possible, but a narrative remains a narrative: whether letters are printed on paper or digital, and whether in linear or non-linear form. Physical books will not disappear but the challenge now is to see the e-book not as a digital replacement but as a new product, that needs a different approach.

2.2 (Dis)advantages of the e-book.

The content of an e-book may still be the same as that of a traditional book – a Harry Potter story on an iPad is still the same as a Harry Potter story in a traditional paper book – but the appearance, usage and functions have changed drastically. This brings along various advantages and disadvantages, for both consumers and (traditional) book publishers.

Compared to traditional print books, e-books have the potential to offer consumers the advantages of browsing, keyword searching, customizable search interfaces, extracting, comparing, and assessing quality of information presented (Vassiliou & Rowley, 2008: 358). They can also incorporate features such as hyperlinks, bookmarks, annotations, highlighting, underlining and multimedia. Information can be cut, pasted, printed or saved and posted by e-mail and the content is portable and instantly accessible. The Harry Potter story may thus still be the

same, but the medium is different. Nevertheless, many publishers still treat the e-book as a digital version of the traditional book. Consumers can enjoy the familiar look and feel while reading an e-book, because they have roughly the same layout and dimensions but are lighter (Vassiliou & Rowley, 2008; Loebbecke, 2011). Furthermore, an e-book is convenient because it allows reading, accessing and downloading additional books while being one the move. Possible disadvantages for consumers could be the lack of standardization of interfaces, the limited number of e-books in different disciplines (as compared to physical books), and not user-friendly e-book software (Vassiliou & Rowley, 2008: 359). Also, consumers face the initial purchasing cost and may be hesitant to abandon familiar habits related to books, such as turning pages (Loebbecke, 2011: 6). However, as mentioned above, many e-books on the iPad have a flip page function whereby digital paper-like pages can be turned

An advantage of the e-book for traditional publishers is received economic benefits: manufacturing costs decrease due to the digital delivery and elimination of the printing process. They enjoy higher profitability when inventory, back order, or out-of-stock costs are eliminated. Their flexibility increases with the ability to publish niche books and to update versions faster. A disadvantage is the resistance of distributors in the e-book adoption: they experience them as a threat to their traditional model, as e-books require neither inventory nor transportation. Now that the pro's and con's of the e-book are clear, I will comment on several challenges that e-books bring along for book publishers, in the next paragraph.

2.3 E-book challenges.

As with any new venture, the book publishing industry faces certain challenges, such as the development of a standard publishing format and (the fear of) piracy and cannibalization. Different publishing standards and tools, like encryption, Digital Rights Management (DRM), Digital Asset Management (DAM) and Digital Object Identifiers (DOI), offer a solution. I will briefly explain various forms of publishing standards and digital publishing protection.

2.3.1 Publishing standards.

When e-books first arrived on the scene, the quest for a standard format, with which documents could be read on different devices, began. A standard publishing format should encourage the widespread adoption of e-books and also, uniformity would reduce the risks for all parties (Carreiro, 2010). The International Digital Publishing

Forum (IDPF), a trade and standards organization for the digital publishing industry, promotes industry-wide adoption of electronic publishing through the development of standards (Carreiro, 2010: 224). In 1999 the IDPF introduced the Open eBook Specification (OEB), which was based in Extensible Markup Language (XML). It did not support any non-OEB format and it did not help to address copyright protection or Digital Rights Management (DRM). Standards have come a long way since then. The Open Publication Structure (OPS) became the precursor of OEB. Currently this so-called EPUB format has two more open standards besides OPS, which are Open Packaging Format (OPF) and Open Container Format (OCF). EPUB allows publishers to produce and send a digital publication file through distribution and offers consumers compatibility between software and hardware for unencrypted digital publications (Carreiro, 2010: 225). Unfortunately, not all e-books and e-reader devices conform to the standards that the IDPF has created. Vassiliou & Rowley (2009) found Portable Document Format (PDF) to be the most common format that e-books appear in, though they allowed that e-books also appear in Hyper Text Markup Language (HTML), Exchange Data Format (EDF), and XML formats. However, there are exceptions. Amazon has its own format, which can only be read with a Kindle e-reader.[5]

2.3.2. Piracy

Piracy is one of the biggest challenges of digital publishing. Publishers have been cautious and insist on tight Digital Rights Management (DRM), which could have been a contributing factor to a slower growth in the e-book market (Carreiro, 2010). DRM sometimes prevents users from printing, emailing or sharing an e-book's content. What approach can the industry take to solve this problem? Encryption is one way – hereby the content is encrypted with a specific key – but this type of security system does not allow for consumers to share e-books. Examples of secure solutions are the Electronic Book Exchange (EBX) and Adobe ePaper Solutions. Another option is a Digital Object Identifier (DOI), an identification system for intellectual property in the digital environment. It acts as an actionable hyperlink from the content back to the copyright owner that can travel with the file and offers a transparent and user-friendly DRM solution. Besides encryption, publishers could potentially integrate any digital asset management (DAM), DRM or DOI system that

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[5] Amazon is an American multinational electronic commerce company and world's largest online retailer. The company also produces consumer electronics - notably the Amazon Kindle e-book reader - and is a major provider of cloud computing services. Amazon started as an online bookstore. See §2.5.

it currently uses to create the ultimate solution, states Carreiro (2010: 226). Though digital piracy is a real danger for publishers, they have a great deal of solutions from which to choose.

2.3.3. Cannibalization

Many ignorant book publishers fear for cannibalization when undertaking digital publishing. Consumers might buy the same titles as e-books because of their lower price for example, when – without e-books – they would have bought the physical book instead. According to Gall (2005) and his third myth in *Dispelling Five Myths about E-books*, it is important to point out that e-books and printed books are not necessarily competing media. Publishers and consumers in general treat the e-book as just another format, releasing and buying the same titles in hardcover, paperback, book-on-tape and e-book, at the same time (Gall, 2005: 27).

2.4 Book-applications

Now that I clarified the concept of e-book, I will explain the concept of the app. This concept came fully into use after the introduction of the iTunes App Store, in July 2008. App is short for "application" which is a small, specialized software program. It consists of digital content and can be downloaded onto mobile devices, like smartphones and tablets (Horne, 2012). They come in all different shapes and sizes, and with various types of content. There are game-apps, music-apps, travel-apps and book-apps as well.

Horne (2012) describes three forms of book-apps: the simple book-app, the "gamified" book-app and the book-shop-app. The first generation book-apps, the simple book-app, handle content by displaying text, illustration and narration. These simple apps resemble e-books a lot: another example of the horseless carriage syndrome. The second-generation book-apps relates to the so called gamified book-app and is characterized by the merging of multiple layers of content like speak, illustrations, films, interactive illustrations, sounds and texts. Such a book-app makes better use of the media specific properties of mobile devices and is very close to a game. The third book-app is the in-app-store. Often this sort of app consists of various elements, like games. The books – often simple Read Along-books – are just part of the package. The in-app-store is frequently built around a strong brand and resembles a homepage a lot, with free access, free entertainment to get hooked and additional elements that have to be bought.

Structural problems concerning apps relate to the poor visibility in the App Store, with thousands of other apps, and price competition, because app prices are relatively low. E-books on the other hand have their own local eco-system: digital bookstores like Amazon, iBooks and other e-book stores, which sell books at 'real' book prices (Horne 2012). Another problem for publishers is that app production, unlike e-books, is less economically beneficial because it requires much higher production costs for design, programming and animations. Horne (2012) thinks the future focus will be on second-generation book-apps and brand-focused apps. Also, he thinks book-apps will be replaced by the enhanced e-book in the near future. Book-apps according to Horne (2012) are a transitional format between the simple text based e-books and tomorrow's enhanced e-books. He thinks the new improved Apple iBooks is already a step forward. The e-book now can read along, show embedded videos and the layout is better, some are even interactive. Therefore he thinks more publishers will start to publish their children's books as e-books.

2.5 Tablet devices and e-readers

E-books and book-apps nowadays are accessible using various devices: from PCs and mobile phones, e-readers and tablets like the iPad. Each has its own features and specific software. The practice of reading from a screen is already so widespread, but we are still in an important development stage for e-book readers. With new devices emerging all the time, there is already a thriving market in reading devices. Device manufacturers enter the scene because it allows them to enter a new market. It caught different manufacturers' attention when major players (Sony in 2005 and Amazon in 2007) presented their devices. According to Martin & Tian (2010) almost one million dedicated e-book reading devices like the Amazon Kindle and the Sony eReader were sold worldwide, over the period 2005 to 2008 (Martin & Tian, 2010). In 2009 almost 40 different devices were available, suggesting a continuous development and steady growth (Loebbecke, 2011).

In the case of specialist e-readers, the trend is towards multifunctional devices. These combine reading with communications and a range of social and business functions (Martin & Tian, 2010: 66). A good example of such a device is the Apple iPad. This is not explicitly an e-reader, but with its iBooks and iBookstore applications, it can be used as one. According to Carreiro (2010), the iPad and its iBooks prove that the tablet is e-book friendly, and also new apps for e-readers are a

quickly growing trend (Carreiro, 2010: 222). The Amazon Kindle, Sony eReader, Barnes & Noble Nook and the Apple iPad are currently considered to be the most popular e-reader and/or tablet devices (Martin & Tian, 2010; Carreiro, 2010). The Kindle from Amazon has an advantage over the Sony eReader and Barnes & Noble Nook, because it has access to the largest number of e-books. The Apple iPad has the most exciting features, including web browsing, email, games, touch and color screen, and presentation software (Martin & Tian, 2010: 68). Consumers whose sole purpose it is to merely read e-books might be better off with the Amazon Kindle, because of the e-ink display, lighter weight, the slightly lower price and the focus primarily on books. However, those who desire a multifunctional device that enables online surfing and offers new functionalities might be better off with the iPad.

In this thesis I will mainly focus on the iPad, because it is considered to be the most game-changing device and because, like Martin & Tian (2010) already affirmed, the trend is towards multifunctional devices. Amazon for example introduced the Kindle Fire as an answer to the Apple iPad. The Kindle Fire has a color screen, multi-touch display and allows going online. The iPad is still market leader though. The launch of the iPad is a significant development that contributes to further developments and increased competition within the e-reader and tablet industry. With my thesis, I'm focusing on (narrative) applications for children. Since most of the available apps are developed for the iOS based Apple products, focusing on the iPad seems like a logical choice.[6] In the next paragraph I will look at other implications of digital publishing for the traditional book publishing industry.

2.6 E-publishing and implications for the traditional book publishing industry

In the last paragraph of this chapter, I will look at the implications of e-publishing for the traditional book publishing industry. According to Martin & Tian, digitization has already transformed traditional book publishing both directly in terms of automated processes and indirectly through the emergence of external players such as Amazon (Martin & Tian, 2010). Carreiro (2010) claims that the e-book has caused the greatest transformation to the long-established publishing industry since Gutenberg and his printing press. She thinks that e-books have made it necessary for

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[6] iOS is a mobile operating system developed and distributed by Apple Inc. It supports Apple devices like the iPhone and iPad. Another mobile operating system is Android: Google's answer to iOS.

publishers to establish a digital strategy, 'especially in a so-called dying industry such as publishing [because] without it, these firms have no chance of survival in contemporary society' (Carreiro, 2010). Is this true? Are book publishers without a digital strategy doomed? An industry survey conducted at the Frankfurt Book Fair in 2009 emphasized the increasing importance of e-books. The expectation was that e-books sales would surpass traditional book sales by 2018 (Loebbecke, 2011). In July 2010, Amazon already sold more e-books than printed ones (Martin & Tian, 2010). It seems that e-books and tablets indeed are changing the book industry structure (Loebbecke, 2011).

E-publishing poses new opportunities and challenges for publishers. On one hand there are potential benefits like reduced costs, extended market reach and the longevity of digital content. On the other hand there are concerns over issues of digital rights and copyright protection, along with potential channel conflict and the alienation of booksellers and distributors (Martin & Tian, 2010). According to Martin & Tian (2010), there is an ambiguity in perception: publishers are optimistic about the future of e-publishing, but there remains a sense that for many book publishers their current commitment to e-books is more a matter of insurance. Many publishers introduce e-books just to complement their portfolio. However, book publishers would benefit more from a proactive strategy whereby they don't just wait-and-see but actively anticipate on new and current developments, if only to stay ahead of the competition. This also goes for the production of apps. A threat for the traditional industry players is the competition of new players who have entered the market, like hardware manufacturers and Internet service providers. They may outpace the traditional publishers in the creation of new business models for digital content, like apps. Alongside (new) competition, new technological applications and solutions pose a challenge for the traditional book publishers. Martin & Tian (2010) even state that it is technology rather than content that will determine success and survival in the industry (Martin & Tian, 2010: 165).

Traditional book publishers thus have to come up with a digital strategy, dive into possible technology-based solutions and keep an eye on direct competitors and new players within the book publishing industry. Picard (2012) warns publishers to not see tablets like the iPad as a means of reducing costs of production and distribution. However, Martin & Tian (2010) wonder if cost reduction is the case. Publishers still have to meet the costs of purchasing the rights to books and paying advances against royalties, while funding those costs necessary for editing,

designing, producing the content and mastering web-based publishing skills. Thus, the total costs of digital publication could well exceed those for traditional publishing (Martin & Tian, 2010: 203). Furthermore, compared to e-books, book-apps are more expensive to make because, 'an app would cost you thousands of Euros just for the start up,' says Horne (2012). An important source of economies of scale comes from learning by doing. This reduces costs because by fine-tuning production processes, things can be done more efficiently (Morris, 2008). Cost reduction is important, but it doesn't guarantee success. There is still the visibility-problem in the App Store, and the low app prices. Therefore, book publishers should consider their digital publishing strategy thoughtfully and innovate their business models accordingly.

2.7 Conclusion

E-publishing developed to a stage where book publishers can't ignore it anymore. Unfortunately, many publishers still treat the e-book as a digital version of the physical book. The e-book changed our reading habits, and now also needs a different approach. The challenge for publishers now is to see the e-book as a new product. The app is another digital product that calls for a new approach. This tiny software program for mobile devices like the iPad also appears in the form of a book. Horne (2012) describes the simple book-app, the "gamified" book-app and the in-app-store. Problems concerning apps are the poor visibility in the App Store, tough price competition and high production costs. Economies of scale could reduce costs in the longer-term, but this doesn't guarantee success. Horne (2012) therefore thinks the future focus will be on second-generation book-apps and brand-focused apps. Book-apps are accessible using various devices. The trend is towards multifunctional devices, like the Apple iPad. The production of tablets and book-apps bring new players to the market. Therefore, book publishers should adopt a proactive strategy within the digital field and innovate their business models. The next chapter deals with the concept and practice of business model innovation in book publishing.

3. Business Model Innovation in Book Publishing

In the previous chapter I discussed how e-publishing changes the face of the book publishing industry. Digital publishing and tablet technology bring along challenges and opportunities. How it will change the industry eventually we cannot say yet, but 'raising these questions early should create awareness and trigger early measures', claims Loebbecke (2011). So, who is the new publisher? Book publishers have to find out who they are, who they want to be and how to get there. And what value are consumers willing to pay for? Because that's what economic success eventually is about. Book publishers thus have to reinvent themselves by creating new value propositions and innovating their business models, in order to outpace competition in the digital book publishing battle. This chapter deals with the business model concept. I will explain what a business model is by discussing various definitions and expound on the several elements that the business model consists of, on the basis of the Business Model Canvas by Osterwalder & Pigneur (2010). I will conclude this chapter with an explanation of the importance of business model innovation for the book publishing industry.

3.1 What is a Business Model?

The term 'business model' first came into use in the 1950s. However, it was not until the 1990s that it became widely accepted and utilized as an essential business practice, with the advent of the Internet (Osterwalder, Pigneur & Tucci, 2005; Martin & Tian, 2009). Originally, the business model concept was comprehensive in scope, capturing the complete range of value-creating activities of a firm. While this is still the case, it has also become common practice to form sub-models for (new) activities, each with its strategic objectives, value propositions, revenue sources and core competencies (Martin & Tian, 2010: 145). This practice of business modeling is described by Martin & Tian (2010) as 'making models that are conceptual representations of the real world as seen through the theoretical eyes of the model builder.' It is a useful practice for illuminating relationships in business contexts, although on paper a business model is more comprehensible than it is in the 'real world' (Martin & Tian, 2010). Some authors, like Porter (2001), have criticized this lack of connection to the real world (Martin & Tian 2010). However, unlike Porter, Osterwalder & Pigneur (2009) think business models are important vehicles for the

understanding between players in the 'real' market. Hence, a wide range of perspectives on the nature of business models is to be found in the literature. All definitions contain similar characteristics. According to Martin & Tian (2009) they all convey the message that a business model incorporates the fundamentals of a company's competitive strategy and how its process is formulated and delivered to achieve profitable results. I will discuss various definitions and analyze similar elements within these definitions in the following sub-paragraph.

3.1.1 Different definitions of a Business Model

A company produces a product or service and sells it to customers. Ideally, the revenues exceed the costs and the company realizes a profit. That is how business works. But what exactly is the definition of a business model? In the past decade, various authors proposed different definitions. Osterwalder, Pigneur and Tucci (2005) described a business model as a conceptual tool with elements that allows the 'expression of the business logic' of a specific firm. It describes the value a company offers to customer segments, and the architecture of the firm and its network for creating, marketing, and delivering this value to generate profitable and sustainable revenue streams. Jansen, Steekbakkers and Jagers (2007) stress the unique configuration of elements of a business model, which consists of the strategies, processes, technologies, and governance of an organization, formed to create value for the customers, thereby competing successfully. Johnsons, Christensen & Kagermann (2008) claim that, from their point of view, a business model consists of four interlocking elements – customer value proposition, profit formula, key resources and key processes – that create and deliver value. Rappa (2010) describes a business model as being the method of doing business by which a company can sustain itself – that is, generate revenue. Gambardella and McGahan describe a business model as an organization's approach to generating revenue at a reasonable cost, while it incorporates assumptions about how it will both create and capture value (2010: 263). According to Osterwalder & Pigneur (2010) a business model describes the rationale of how an organization creates, delivers and captures value. It is a blueprint and starting point for a strategy to be implemented through organizational structures and processes (Osterwalder & Pigneur, 2010: 14). The definition by Martin & Tian (2010) was influenced by the potential for a divide between activities within web-based and 'traditional' value networks. They see business models as representations of value and revenue-creating activities and relationships that capture both tangible and intangible value and reflect the

competitive stance of the various players (Martin & Tian, 2010: 149). The business model according to Picard (2011) is the underlying business logic of an enterprise, which explains how value is created, what it sets apart from competition, how relationships with customers and partners are established and how the company makes money (Picard, 2011: 8). These different definitions all point in the same direction.

A closer look at these seven definitions teaches us that they have similar elements. All appoint some sort of strategy ('strategies', 'blueprint', 'starting point', 'approach', 'rationale' or 'method') that is built up by processes, structures or elements. The goal of this strategy is ultimately to create value ('create value', 'make money', 'profit', 'create and deliver value' or 'generate revenue streams') for both the consumer and the company, and defeat competition ('compete successfully', 'competitive strategy' and 'set apart from competition'). It is important here to appoint both connections and distinctions between business strategies and business models. According to Seddona & Lewis (2003), strategies are grounded firmly in the real world, whereas business models are abstractions from these strategies. Business models are concerned with the core logic of a firm. Strategies focus on more particular elements, like competition. A business model is an abstract representation of some strategy-aspects, state Sedonna & Lewis (2003). Irrelevant details are suppressed and the focus is on factors of interest only. One could argue that many firms in essence have the same business model (Seddona & Lewis, 2003: 236-238).

In my thesis I will use the definition of business models as described by Osterwalder & Pigneur (2010): 'a business model describes the rationale of how an organization creates, delivers and captures value. It is a blueprint for a strategy to be implemented through organizational structures, processes, and systems.' It concerns a relatively recent definition that distinguishes between strategy and business model, and is complemented by a conceptual tool – the Business Model Canvas – that is useful for evaluating business model alternatives, for building profitable businesses. The concept of the Business Model Canvas will be discussed in the next sub-paragraph.

3.1.2 Business Model Canvas
The business model definition by Osterwalder & Pigneur (2010) cannot be seen apart from the different elements or 'building blocks' that constitute this model, within the so-called 'Business Model Canvas' (Fig. 1). They define this canvas as 'a shared language for describing, visualizing, assessing, and changing business models'

(Osterwalder & Pigneur, 2010: 14). The canvas organizes and visualizes the construction of an organization with nine building blocks, which cover all essential activities within an organization. The blocks partially correspond with the 'business logic' that Picard (2011) describes, which relate to value, competition, relationships with customers, partners and how money is made. It also corresponds with the 'interlocking elements' that Johnsons, Christensen & Kagermann (2008) appoint. The building blocks that Osterwalder & Pigneur (2010) describe are also to be found in the supply and value chains that Porter (1980) appoints. Whereas supply chains delineate the process from creation to delivery of a product or service to the customer, value chains comprise a series of activities that create and build value. Osterwalder & Pigneur (2010) chose to visualize these elements with a canvas, because it simplifies the reality of an enterprise and the business construction and relationships between elements are clear at one glance. The canvas is build up by nine basic building blocks that show the logic of how a company intends to make money. These fit within the four main areas of a business that Osterwalder and Pigneur (2010) describe namely Customers, Offer, Infrastructure and Financial viability. The nine building blocks are: customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships and finally, the cost structure. These blocks all represent a vital element of business and are all connected to each other. I will clarify each of the nine building blocks, starting with the customer segments.

The different groups of people (mass or niche markets, for example) that an enterprise aims to reach and serve comprise the **customer segments**. This building block is at the heart of any business model. The **value proposition** describes the bundle of products and services that create value for a specific segment. It solves problems, satisfies needs and corresponds with the benefits that a company has to offer. Value propositions could relate to newness, performance, customization, design, brand or status and price, amongst others. The **channels** building block describes how a company communicates with and reaches its customer segments to ultimately deliver a value proposition. Channels have several functions, like creating awareness, evaluation, purchase, delivery and customer support. The type of relationship that a company establishes with specific customer segments is described in the **customer relationships** building block. Personal assistance, self-service and communities are examples of different relationships, which are driven by customer acquisition, retention and boosting sales. The **revenue streams** building block

describes in what way the company generates cash from each customer segment. Each revenue stream may have different pricing mechanisms, like subscription fees, asset sale or licensing.
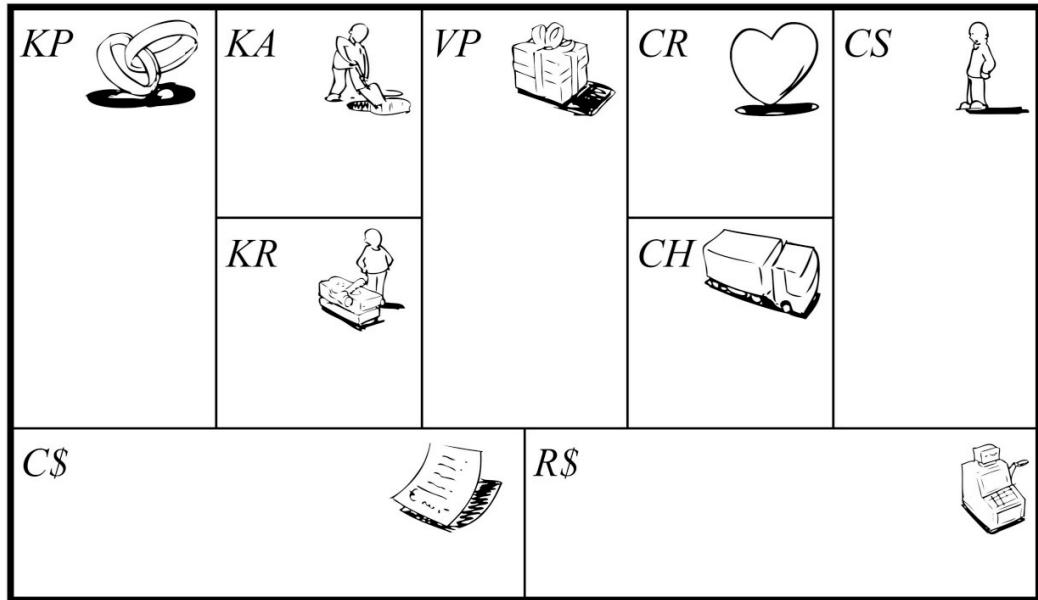
Figure 1: Business Model Canvas (Osterwalder & Pigneur 2010)

Key resources are the most important assets required to make a business model work, like buildings, brands, knowledge and employees. **Key activities** are the most important things a company must do to make the model work. **Key partnerships** comprises of the network of suppliers and/or partners that make the business model work. Within the **cost structure** building block all incurred costs to operate a business model are defined. These can be calculated after defining key resources, key activities and key partnerships. Costs should be minimized in every business model, in order to make as much profit as possible (Osterwalder & Pigneur, 2010: 14).

With my research I will discuss all elements of the Business Model Canvas with regards to children's publishing. I will look in depth at the nine business model building blocks as applied to the children's publishing industry. I have chosen to subdivide these blocks into four broader basic blocks, namely Value, Customer, Production and Financial, thereby creating an own format (Fig. 2) as derivative of the Business Model Canvas by Osterwalder & Pigneur (2010). These four new building blocks seem logical in both structure and terms and are well applicable within my research into business models in children's book-app publishing. The blocks are tightly connected to each other. Value is created for customer segments and communicated and delivered trough various channels, within the Customer Block. In return, customers pay for this value. To produce this value, activities, resources and

partners are needed first, within the Production Block. Costs are made for the production of value, within the Financial Block. The revenues received for value, minus the costs made for production, is the profit a company ideally makes, in the Financial Block. These connections between the blocks are indicated with arrows.
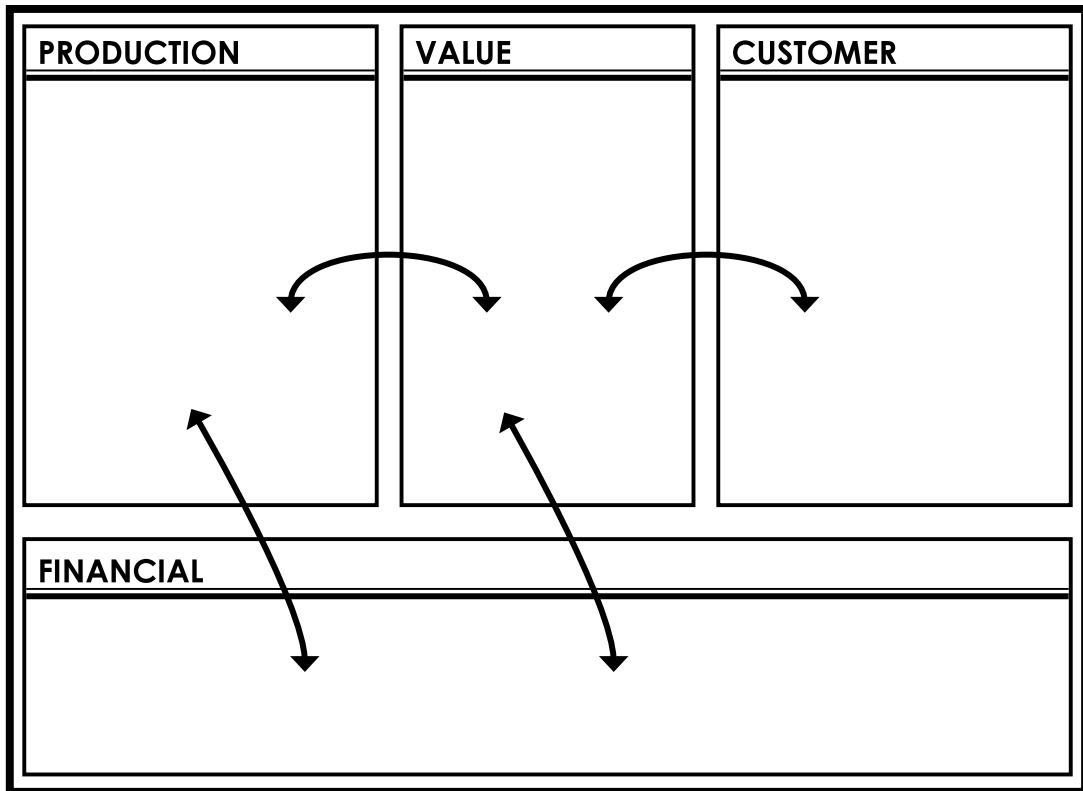
Figure 2: Business Model Canvas subdivided into four broader building blocks, with arrows indicating connections.

3.2 The Importance of Business Model Innovation in Book Publishing

Practically every author who has written about business model innovation in de last decennium considers Apple to be the iconic example of successful business model innovation. Because, state Johnson, Christensen & Kagermann (2008), 'Apple did something far smarter with the iPod than just take a good technology and wrap it in a snazzy design: it took a good technology and wrapped it in a great business model.' Apple's true innovation was to make downloading digital music easy and convenient. The model defined value in a new way and provided game-changing convenience to the consumer. Amazon is another example of successful business model innovation. They provided customers with a new way to purchase books and

other products, and now are world's largest online retailer and major provider of cloud computing services. Their open platform supports a community of companies that are re-using Amazon's commerce services (Osterwalder & Pigneur, 2010: 21).

A lot has been written about business models from the 1990s onward. Different definitions emerged, and various authors appointed various components of a business model, all more or less analogous. However, it must be remarked that not many authors defined methods to systematically review those components, and to decide: when is the time for change? Johnson, Christensen and Kagermann (2008) acknowledge this problem and wonder why it is so difficult to pull off the new growth that business model innovation can bring. They suggest two problems: a lack of definition and a lack of understanding. Little formal study has been done into the dynamics and processes of business model development, and few companies understand their existing business model well enough. Thus, a lot of companies don't know when they can leverage their core business and when success requires a new business model (Johnson, Christensen & Kagermann, 2008: 60). A business model has to be managed constantly. With the Business Model Canvas, Osterwalder (2010) presents a clear and thorough tool. Because it is best to assume that most business models have a short lifespan. We can extend its life through continuous management 'until it needs rethinking,' states Osterwalder (2010). For children's publishers the time to rethink their business model has come, the rise of the iPad and its book-apps being a good motive.

This paragraph will discuss the importance of business model innovation for the traditional book publishing industry. Why should book publishers consider new business models? They should in order to survive and in order to meet customer needs. Also, I will look at how book publishers can decide whether it is time to change their current business model, and explain why the Business Model Canvas could be helpful with the practice of business modeling.

3.2.1 In order to survive and grow

Book publishers that don't take the time to develop and prototype new business model ideas risk being overtaken by more dynamic competitors (Osterwalder & Pigneur, 2010). Changes in audiences, competition difficulties, and stagnant markets are forcing publishers to think of the future of their enterprises and how to ensure survival and growth. The challenges created by technological developments and digitization are especially significant because the book publishing industry is a mature industry in which opportunities for natural growth are limited (Picard, 2003:

127). Print became one of the most profitable businesses in the second half of the twentieth century, but those days are over. Publishers that wish to survive should develop a new understanding of their roles in creating, processing, and storing content, claims Picard (2003: 128). Digital book formats are widely predicted to become significant if not dominant in book publishing (Martin & Tian, 2010). Both media and the media use of existing audiences are changing and new audiences are arising. Publishers must compete for both content and the attention and purchasing power of readers, not only with other publishers, but also with new entrants to the market and other media. Publishers must react proactive, by looking for opportunities to survive and grow. Thereby, business models can serve as a link between strategy and business organization and also provide a valuable unit of analysis (Seddona & Lewis, 2003; Tian, 2008). Innovation of business models in book publishing is inevitable, and the customer should be the starting point.

3.2.2 In order to meet customer needs

A big challenge for publishers today is the fact that customers are altering their media use patterns. Mobile devices such as smart phones, e-readers and tablet devices like the iPad are partially replacing personal computers and the range of content providers increase (Picard, 2011: 10). These changes in audience behaviors are, or should be, the impetus for change in publishing firms (Picard, 2003). Also, there is a new audience arising and growing. Kids nowadays are accustomed to touch screens, because their parents have been using iPhones and iPads as child-entertainment devices (Learmonth, 2010). Digital native children today act differently, partly because of the current digital age in which they grow up.[7] According to Prensky (2001a) they developed hypertext minds and think parallel, not sequential. It should be pointed out here that Prensky's theory has been criticized a lot and many don't agree. But the fact is that young children nowadays are digitally proficient and use iPads for entertainment. Children's books have proven to be the most popular book-apps in the App Store, in Europe (Horne, 2012). The gamified book-apps that Horne (2012) describes, are characterized by multiple layers of content like speak, illustrations, films, interactivity, sounds and texts. Besides storytelling, gameplay, graphics and interactivity are thus important. Digital native

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[7] A digital native according to Prensky (2001) is a person who was born during or after the introduction of digital technology. The year 1983 is seen as the year of transition: persons who were born after this year are seen as digital natives. Through interacting with digital technology from an early age, the digital native has a greater understanding of its concepts. Persons born before 1983 are classified as digital immigrants who have to work harder to learn the difficult and foreign language of digital technology.

children want to participate and seem to prefer their media digital and from a screen (Prensky, 2001b; Learmonth, 2010). New products should answer to these different needs and publishers thus have to move into e-publishing, because the customer should be at the heart of any business model (Osterwalder, 2010: 20). Hence, publishers have to present their children's books in another way and find a new (digital) format. Only then, they are able to meet the wishes of their customers, innovate their businesses successfully and create, deliver and capture value again (Osterwalder, 2010; Picard, 2011).

3.3 How should book publishers consider new business models?

All firms have business models, but legendary firms that shape their industry structures – such as Amazon, Google and Apple – are business-model innovators (Gambardella and McGahan, 2010). A good business model is essential to every organization, whether it is a new venture or an established player. In order to develop a good business model, book publishers should first ask themselves if their business model needs changing out of an opportunity or out of a need. Johnson, Christensen & Kagermann (2008) have observed circumstances that often require business model change. For children's book publishers, opportunities exist because they can address (new) needs of potential customers and because they can capitalize on new technology by wrapping a new business model around it. But, if they want to survive, they *need* to change because of the shift in competition. However, changing a business model is easier said than done. The success of innovating a business model seems to lie in systematically reviewing and refining the different components a business model consists of. It must be remarked that various authors define various key components of a business model. These all correspond with the nine building blocks that Osterwalder & Pigneur (2010) indicate with their Business Model Canvas (Chesbrough & Rosenbloom, 2000; Petrovic & Kittle, 2001; Johnson, Christensen & Kagermann, 2008). According to Martin and Tian (2010) most authors include value proposition, cost structure, revenue model and market segment as important business model components. To find out where change is needed, publishers should review their current business model. The starting point should be one of the four building blocks that the Business Model Canvas consists of. The needed change is thus resource-driven, offer-driven, customer-driven and finance-driven.

Publishers should ask themselves specific questions while reviewing their

business model. They must identify what customer problems their current model solves or what needs are satisfied, and how it makes money. They should watch for signals that tell their model needs changing, by asking if there are though new competitors arising. Finally, publishers should decide if it is worth the effort (Johnson, Christensen & Kagermann, 2008: 58). Reviewing the business model elements by asking questions provides a basis for further discussions, decision-making, and ultimately innovation. The construction of a model is an ambiguous procedure resulting in more than one possible solution. In order to create a more concrete environment for the development of business models, the existence of a framework – like the Business Model Canvas – is required (Papakiriakopoulos, et al. 2001; Osterwalder & Pigneur, 2010).

3.4 E-business Models in Book Publishing

Whereas there is substantial literature on the topic of business models, much less literature is found when it comes to business models for digital publishing. Currently, most business models are affected by technology, also in book publishing (Tian, 2008). Several e-business models have taken shape in the last decennium (Papakiriakopoulos et al., 2001). But according to Rappa (2010) the web also reinvents existing models. Auctions, one of the oldest forms of brokering, are an example. They have been widely used to set prices for such items as agricultural commodities and unique items like fine art. Internet has popularized the auction model and broadened its applicability to a wide array of goods and services (Rappa, 2010). Most business models, whether for traditional business or for e-business, have common structures although e-business models tend to have a more extensive range of relationships. It should be remarked that there exists some confusion about the distinction between revenue models and business models. Revenue models, in short, relate to how an organization is planning on making money. This only relates to the revenue streams within the Financial block of the Business Model Canvas. Business models are more comprehensive and relate to how an organization will continue to make money. This relates to all four building blocks of the Business Model Canvas and the relationship between those blocks (Tian, 2008; Osterwalder & Pigneur, 2010; Martin & Tian, 2010).

Rappa (2010) compiled a classification consisting of nine generic forms of e-business models. These models classify companies according to the nature of their

value proposition or their mode of revenue generation (Tian, 2008: 85). However, not all of these models are relevant for children's app publishing. Different relevant categories of e-business models are the Advertising model, which is an extension of the traditional media broadcast model. A website, or in this case an app, provides content mixed with advertising messages in the form of banner adds. This model works best when the traffic volume is large or very specialized. Within this model, attention of consumers is gained by giving away high-quality services in the form of tools, content and applications that are paid for by the advertiser (Martin & Tian, 2010). However, since it regards children's apps, it is doubtful if this is the best model to apply. The Merchant model relates to virtual wholesalers and retailers of goods and services, the iTunes App Store is a good example and relates to the Bit Vendor model (a sub model of the Merchant model). Hereby, a merchant deals strictly in digital products and conducts both sales and distribution over the web (Rappa, 2010). Another relevant example of the Merchant model is the Click and Mortar model. It is a variant of the Brick and Mortar model, which relates to physical businesses. Click and Mortar businesses concern businesses who operate both in the physical and digital world, and who are looking for a synergy between both worlds. Much like many current book publishers, who want to sell their content – physical books, e-books and apps – through physical bookstores, online stores and the App Store. The Affiliate model also applies. It provides purchase opportunities wherever people may be online and does this by offering financial incentives with, for example, a percentage of the revenue to partner sites. App publishers can sign up for the Apple Affiliate Program whereby they, in addition to generating commissions, can add content to their apps and 'make it easy for your customers to find music, apps, books, audio books and more,' according to Apple.[8] The Community model is based on user loyalty and their high investment in both time and emotion. With apps, revenues could be based on subscriptions for premium services. With the Subscription model users are charged a periodic fee to subscribe to a product or service. It is not uncommon for apps to combine free content with premium content, the so-called "freemium" model. Hereby, most users obtain a basic level of service for free and a small percentage pays extra to receive a premium service (Osterwalder & Pigneur, 2010; Martin & Tian, 2010). A good example of a freemium model is the book-shop-app that Horne (2012) describes, whereby you don't pay for the app itself, but for additional services.

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[8] More about the Apple Affiliate Program via www.apple.com/itunes/affiliates/.

These different models can be implemented in a variety of ways and a firm may even combine several different models as part of its overall online business strategy. For example, it is not uncommon for content driven businesses to blend advertising with a subscription model. Book publishers might combine the diverse activities of infomediary, affiliate and community, acting as information provider, as an affiliate to the business models of third parties (Amazon or Google) and as the host of an online community (Martin & Tian, 2010: 151). The most of the foregoing categories are a direct reflection of transactions between buyers and sellers. In their own research into the Australian book publishing industry, Martin & Tian (2010) found the Clicks and Mortar, Collaborative and Freemium model as relevant and most common. With the aforementioned Clicks and Mortar model digital technology and electronic commerce are characteristic. This model consists of two categories: the disintermediated and reintermediated model. The disintermediated model, new products as eBooks or apps are characteristic. Reintermediated models are built around new players, like online bookshops. Within the Collaborative model, collaborative activities are undertaken. This involves business partners, outsourcers, other publishers and consumers. This category fits within the aforementioned Community model. The Freemium model, as previously explained, lets consumers enjoy free content and a higher level of service for those paying for it. Ultimately, the success of an e-business model depends on how well it matches its customers' priorities (Tian, 2008: 98).

3.5 Implementation of a business model

Another difficulty is to integrate the new business model within the organization. Publishers should realize that success starts with the opportunity to satisfy a customer, not by only thinking about successful business models. This model should be a blueprint that aims at showing how the book publisher will fulfill that need at a profit. This "ideal" model should ultimately be compared to the existing model, to see how much changes are needed to capture the opportunities (Johnson, Christensen & Kagermann, 2008; Osterwalder & Pigneur, 2010; Martin & Tian, 2010). Children's publishers then have to focus on adjusting the model, as much as on executing. Publishers with new business models should be patient for growth but impatient for profit (as an early validation that the model works). A profitable business is the best early indication of a viable model (Johnson, Christensen &

Kagermann, 2008: 67).

By innovating and implementing their business models, book publishers have to acknowledge differences between books and other products (Picard, 2005). The most important difference is the high unpredictability of success of the first (Picard, 2005: 65). There are two categories of media products: single creation products and continuous creation products. The first concerns creative and idea driven products, like books, based on unique individual media content. Because of their uniqueness they are risky and experience high failure rates. In contrast, continuous creation media products have an on-going creation of changing content (Picard, 2005: 62). Both categories of media products need different business logics and strategies. Because of the high failure rates of single creation products, this category needs a project-oriented approach. Content creation is the core competence. With continuous creation media products, not content creation but branding is most important. This means they also have different economic environments. Physical books are part of unit cost economies. Their success is affected by economies of scale, transaction costs and additional distribution costs. E-books and book-apps are part of fixed cost economies: there are almost no variable costs for additional production and basic production costs for competitors are most often similar. This results in an environment based on experience, product and service quality, and brand (Picard, 2005: 65). We have to keep in mind that what makes these products economically attractive – their low or non existing reproduction costs – also makes them economically dangerous, because competition is even fiercer. Their success thus depends on product management and marketing skills. Hence, it is important is to clearly understand the customer needs and achieve distinct differentiation (Shapiro & Varian, 1998).

3.6 Conclusion

In this chapter I discussed business models, the Business Model Canvas, it's building blocks and the "when", "what" and "how" of reviewing and innovating business models. Different perspectives on the nature of business models all appoint a strategy that is built up by processes and which goal is ultimately to create value for both the consumer and the company. However, a business model should not be confused with a business strategy. The first relates to an abstract representation of business, the latter focuses more on particular elements of business, like competition. A business

model within this thesis is defined as the rationale of how an organization creates, delivers and captures value. It is the blueprint for a strategy to be implemented (Osterwalder & Pigneur, 2010). The Business Model Canvas shows how a company intends to make money and visualizes the construction of an organization with nine building blocks, which are closely connected to each other. I subdivided these blocks into the four broader blocks Value, Customer, Production and Financial. Publishers should constantly manage these blocks in order to survive, grow and meet customer needs. To find out where change is needed, publishers should ask themselves questions and review their business model, because the success of building a business model seems to lie in systematically defining the different components. Different relevant e-business models for app publishing are Clicks and Mortar, Collaborative and Freemium. With the disintermediated Clicks and Mortar model, new products like eBooks and apps are characteristic. Within the Collaborative model, collaborative activities are undertaken with business partners, outsourcers and other publishers. The Freemium model relates to book-shop-apps and lets consumers enjoy free content and extras for those paying for it. In any case, a business model should match with the needs of customers. In the following chapter I will comment on the four building blocks that constitute the Business Model Canvas, and apply these to the children's e-publishing industry.

4. The Business Model Building Blocks in E-publishing for children

This chapter looks in detail at the four business model building blocks of the Business Model Canvas, as applied to the children's e-publishing industry. With the current digitization, app-production might offer opportunities for children's book publishers. This includes changes in the different building blocks of the Business Model Canvas, from content and partners concerned to the publishing channels and branding.

4.1 Value block

The value proposition describes the bundle of products and services that create value for a specific segment. It solves problems, satisfies needs and corresponds with the benefits that a company has to offer (Osterwalder & Pigneur, 2010). It is value propositions that persuade customers to buy goods and services from one company rather than from another. A successful company is one that has found a way to create value for customers (Johnson, Christensen & Kagermann, 2008). That is, a way to help them get an important job done or solve a problem. First, a thorough understanding of the problem in all its dimensions is needed. Subsequently, an appropriate offering can be designed. After capturing value, it has to be delivered to (potential) customers. Hereby, it is important to explicitly communicate genuine points of difference with alternatives.

Anderson, Narus & Van Rossum (2006) classified the value proposition into three types: All benefits, Favorable points of difference and Resonating focus. The All benefits value proposition simply lists all benefits and requires the least knowledge about customers and competitors. However, it has the potential drawback of benefit assertion: claiming advantages for features that actually provide no benefit to the target customer. Also, many of the listed benefits may be points of parity with the next best alternative. The second type of value proposition – the Favorable points of difference – recognizes that the customer has an alternative, by focusing on differentiating their offerings. This requires detailed knowledge of alternatives and of the customer's requirements and preferences. A possible pitfall is value presumption: assuming that favorable points of difference must be valuable for the customer. The starting point of the Resonating focus value proposition is "more is not better". Although the offering may posses several points of difference, the proposition

concentrates on the one or two points of difference that deliver the greatest value to target customers (Anderson, Narus & Van Rossum, 2006). To construct and communicate a good value proposition, it is useful to sort value elements in points of parity and points of difference with alternatives (Anderson, Narus & Van Rossum, 2006: 3).

Carefully constructed value propositions make a significant contribution to business strategy and performance. They are more than just a marketing tool and can make a very real contribution to superior business performance. It is the responsibility of the general and marketing management to ensure that their value propositions are just that. Once book publishers understand their customers, they can make smarter choices in developing new offerings (Anderson, Narus & Van Rossum, 2006; Martin & Tian, 2010).

4.1.1 Value in e-publishing for children

Until quite recently, the value proposition of book publishing was very clear. Different publishers would offer different value propositions based on specific publishing categories, market niches, capabilities and competencies. Today, the entire book publishing industry is subject to change. Digitization and the rise of e-reader and tablet devices change the face of the book publishing industry. Furthermore, 'digital native' children require different digital products and thus, another value proposition is needed. There are clearly opportunities for publishers to refine and re-apply their skills in exploiting content, both in the production of e-books and book-apps (Martin & Tian, 2010). Many book publishers believe that the value of an e-book or book-app is the software, but software does not represent the actual value of a book-app (Horne, 2012). It is still content that matters most. Horne cites Apple's golden rule: 'pick only your most popular titles for the App Store' (2012: 19). The characters that are the most popular in print should also be popular in digital form. Also, these popular characters form important points of difference with alternatives. However, Horne (2012) also acknowledges that enriched apps are preferred because besides storytelling, children primarily value gameplay and interactivity within apps (Prensky, 2001b; Learmonth, 2010).

The provision of high-quality content is also what Australian book publishers consider one of the most important elements in their value proposition. Martin & Tian (2010) discovered a strong similarity of elements in generic value propositions of 14 case study publishers in Australia. These elements related to strong brands, multimedia content, advanced technology, digitization of processes and practices,

rich pool of authors, sophisticated websites, international standards, high quality content in a variety of formats, full service provision, publishing and marketing knowledge, culture of knowledge sharing, efficient and flexible team, efficient partnership networks and communication systems and customer engagement strategy (Martin & Tian, 2010: 162). All publishers placed particular emphasis on the importance of three potential elements of their value proposition: - the provision of high-quality content, - the organization of content and - the ability to negotiate licensing and royalty arrangements. Multimedia content, use of advanced technology and extensive digitization relate to digital publishing however, e-books and book-apps are not explicitly mentioned. Nevertheless, e-readers and tablets will most likely dominate the digital book market eventually. Thus, children's book publishers can offer value to their customers by developing book-apps for children. They can consider e-books, the aforementioned simple book-app, the "gamified" book-app and the book-shop-app. According to Horne (2012) apps are for bestsellers only, the mass market is the advanced and relatively cheap e-book (2012: 21). Learmonth (2010) however, thinks that especially native, interactive apps are valuable for children. He sees a lot of interest from children's book publishers, who are rushing to create iPad-worthy book-apps. This mostly concerns taking physical books and just digitizing them. According to Learmonth (2010) especially apps that take advantage of the iPad's media specific properties are valuable to children.

Aspects like interactivity and animations are entertaining, and entertainment is fast becoming the driving wheel for the new world economy (Sheng & Theo, 2012). Vorderer, Klimmt and Ritterfeld (2004) identify three mobile entertainment-motives: escapism, mood management, and achievement. At the core of entertainment, researchers have located customer experience that is usually linked to positive terms such as playfulness, enjoyment, and delight.[9] Entertainment is positively related to customer experience and thus valuable, state Sheng & Theo (2012). Dutch children's book publishers should find out what motives their customers have for using book-apps, and make the user experience of their apps as positive and entertaining as possible. The interplay among customer experience and product attributes is relevant to children's book publishers because by offering the right product attributes, the customer experience will more likely be positive and entertaining, and this can strengthen the relationship between the customer and the

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[9] Customer experience refers to the interaction between a customer and a product and it's attributes, which provokes a reaction that can be either positive or negative (Sheng & Theo, 2012).

brand. It was found by Anthoney, Royle & Johnson (2000) that common attributes built into children's multimedia products included being part of a series publication, having established brands, reputable writers and illustrators, good content, potential for character building, hardware compatibility, and effective usability. Ongoing research is needed to determine which attributes are best suited for children. To find out what elements will deliver the most value to their readers, publishers should discover their market through research.

4.2 Customer block

Within the Customer block the focus logically is on (potential) customers and the interaction with them. The target group or customer segments are formulated, the different (communication and sales) channels described and also the manner of communicating with them. Decisions regarding the customer are closely connected to the value a company offers. Customer segments are the different groups of people an enterprise aims to reach and serve. They comprise the heart of a business model (Osterwalder & Pigneur 2010). The activities of an organization tend to be in alignment with market and customer needs. Porter understood the potential benefits arising from customers and proposed that understanding the customer is one component to gain advantages against the competitors (Papakiriakopoulos et al., 2011: 450). According to segmentation theory, customers' needs, preferences, and desired value are heterogeneous and company's anticipate on this by identifying clusters of customers that have relatively homogeneous sets of needs (Blocker & Flint, 2007). According to Blocker & Flint (2007) customer segmentation is one of the most important concepts in marketing that serves as both a strategic lens for managers and a tool to break down markets into customers grouped by common needs. Skillful segmentation equips firms to target profitable customers, understand their desires and position against competitors.

After determining the customer groups a company wants to reach, it is important to decide how this is done: through which communication and sales channels does the publisher reach these target customer, and what service do they require? Channels determine how a company communicates with and reach its customer segments to deliver a value proposition (Osterwalder & Pigneur, 2010). They have several functions, i.e., create awareness, evaluation, purchase, delivery and customer support. This is done trough different types of channels that are either

direct or indirect (Osterwalder & Pigneur, 2010). Own channels for example regard to web sales, a direct channel, and the company stores, an indirect channel. Partner channels could be wholesalers and partner stores, both indirect channels because they act as intermediaries between the company and the customer. The type of relationship a company establishes with its specific customer segments depends in large part on the service it offers. The different forms of service that Osterwalder & Pigneur (2010) describe are personal assistance, dedicated personal assistance, self-service, automated services, communities and co-creation.

According to Clemons, Gu and Spitler (2003) companies must respond more rapidly to customers' changing demands, desires, and preferences. If offerings are successfully differentiated, then customers will not see other products as competing directly. Hence, prices will be determined by the value it brings customers, and not by your costs or your competitors' costs of production (Clemons, Gu & Spitler, 2003). Because everything is to be found online, customers now know much more about firms, service providers and their offer. Also, companies know more about customers and what they want. They therefore are able to design products that appeal more precisely to customers' preferences. However, customers' needs change and this can induce customer instability through customer desired value change or because customers fall out of a company's target segment. Segment change can be divided in two categories, i.e., content changes and structural changes. Segment content change proposes that groups of customers can move together trough similar shifts in their desired value. This might best be reflected by changes that occur during the initial phases of new product cycles, where the market is getting to learn new products (Blocker & Flint, 2007: 812). This is the case with the relatively new iPad tablet devices and the applications that come with it. In the next sub-paragraph I will discuss these "customer-issues" regarding the Dutch children's publishing industry.

4.2.1 Customer in e-publishing for children

The success or failure of a book publisher depends on how well its business model matches its customers' priorities. This research focuses on Dutch children's book publishers. Customers' priorities regarding book-apps for children primarily relate to child entertainment and education. Through segmentation book publishers are able to target and better understand their customers. Considering the fact that this research focuses solely on iPad book-apps, Dutch children's book publishers in this case are bound to iPad and iTunes App Store possibilities and restrictions.

All iPad and iPhone applications contain age qualifications and are divided in four categories. Apps are categorized in 4+ (no inappropriate content), 9+ (could contain violent scenes that are inappropriate for kinds younger than nine years old), 12+ (could contain foul language ore violence), and 17+ (could contain foul language, violence, and topics like drugs, alcohol and sex, inappropriate for kids younger than seventeen years old). Within this thesis the focus is on book-apps with storytelling as a central attribute, and interactive and gaming elements as additional features. These apps are categorized within the 4+ category. The focus of Dutch children's book publishers should therefore be on children between four and nine years old and, of course, their parents.

An important part of service comes with the purchase of a product. The iPad book-apps that this research focuses on will be sold exclusively through the iTunes App Store: an indirect partner channel. Thus, the main sales service regards automated services, whereby self-service is mixed with automated processes. Consumers have to pay and download an app in the iTunes store, the app is automatically downloaded to their mobile devices and automated suggestions appear, related to the purchased book-app. The iTunes App Store operates as an intermediary between the book publisher and their consumers. Horne (2012) considers this as a problem because 'How can the publisher make his app visible in the narrow sales channel of the App Store with more than 650.000 apps?' You just can't. Book publishers therefore should make optimal use of the provided space they've got on iTunes, for the promotion, description and visuals of the app. These have to be clear, inspiring and entertaining.

Beside sales channels, customer service and communication channels are equally or maybe even more important. Channels can create awareness, make evaluation possible, enable customer support and are able to strengthen relationships with customers. Thus, Dutch children's book publishers sell their app in the iTunes App Store but can promote it on their own website and through social media. These channels are important tools for interaction with customers. Especially through online communities like Facebook and Twitter, book publishers can better understand their customers through interacting with them and encourage them to give their opinion about specific book-apps. Woudstra (2009) argues that there are five reasons why publishers should focus on Twitter: (1) To interact with other stakeholders in the industry. (2) To familiarize themselves with the activities of bloggers and reviewers. (3) To update their knowledge of industry news faster. (4)

To obtain feedback on books and services. (5) To obtain exposure for events, books and authors, while keeping readers informed (Martin & Tian, 2010: 95). Trough this type of additional services, book publishers can strengthen their relationship with customers, by becoming more involved, learning about them and their opinions and desires regarding book-apps for kids, and anticipating on possible problems. Martin & Tian emphasize the opportunities of social media and state 'it is clear that web-based communities are the future for (…) socio-commercial initiative' (2010: 38). Through social capital, webs of trust are built including a willingness to share knowledge.

Through an online contact page and/or telephone number, book publishers can also offer personal assistance. Service and communication channels were always important in building a relationship with customers but with the advent of digital products like e-books and apps, clear and thorough communication is key. Publishers are finding they have to do more than maintain and update their knowledge of what consumers require. They continually review trends and develop strategies to respond (Anthoney, Royle & Johnson, 2000). New media means new consumers. Publishers have to make more of an effort and react to the changing market. Traditional publishers entering the multimedia market do not have the knowledge of the multimedia consumer that they may have of their traditional consumer. Using focus groups has been found to be a valuable way of identifying customer needs. Publishers need to identify where their competitive advantage lies, analyze what they can do with it, work out concepts, product propositions and test those on focus groups (Anthoney, Royle & Johnson, 2000: 273). Further research is necessary to decide whether book publishers should also focus on foreign customers by launching the same book-apps in foreign markets and if so, which foreign markets have the best potential. Because despite cool content and software, it is difficult to export stories from one country to another (Horne, 2012). Book publishers should consider both opportunities and threats of foreign markets and connect these to their internal capabilities, for the Production block of a business model should fit this purpose.

4.3 Production block

The Production block of a business model unites the different elements that make the production of a product or service possible. This comprises all the key resources, partners and activities that should be carried out in order to produce and deliver a

product. The key resources describe the most important assets required to make a business model work. They allow a company to create and offer a value proposition, reach markets and maintain relationships. Resources can be physical (buildings, vehicles), financial (cash, lines of credit), intellectual (brands, copyrights, patents) and human (employees) (Osterwalder & Pigneur, 2010).   The most important things a company must do to make its business model work are the key activities. These are categorized by Osterwalder & Pigneur (2010) into Production, Problem solving and Platform/network. Within the Production category, all activities regarding the designing, making en delivering of a product are included. The Problem solving category relates to new solutions to individual customer problems and activities such as knowledge management and continuous training. Within the Platform/network category, platform management, service provisioning and promotion are central activities.

Key partnerships within a business model comprise the network of suppliers and partners that make the business model work. Companies form partnerships to optimize their business models, reduce risk or acquire specific resources. Osterwalder & Pigneur (2010) recognize strategic alliances between non-competitors, coopetition (strategic partnerships between competitors), joint ventures to develop new business and buyer-supplier relationships, to assure reliable supplies. Motivations for partnerships are optimization and economy of scale, reducing costs by outsourcing or sharing infrastructure, reduction of risk in competitive environments and acquisition of particular resources like knowledge, licenses or access to customers (Osterwalder & Pigneur, 2010).

4.3.1 Production in e-publishing for children

Digitization is changing the way that book publishers do business. Publishers are reinventing their traditional purpose and are recognizing the important changes that digitization and tablet devices bring for the book publishing industry. Digital products like e-books and apps should at least play a complementary role in their organizations. Book-apps could and should be adding value to their traditional book products. To (partially) change their offer and value proposition, and to reach and serve a partially new customer segment, children's book publishers also have to carry out changes in the Production block of the business model. With tablet and app-technology, the interests and activities of all stakeholders are subject to change.

Stakeholders in the digital book publishing industry are divided in suppliers and partners. Important suppliers are authors, printers, distributors and independents

that offer their services through outsourcing. Significant partners are app-designers and developers, online search agents, web browsers, web portals, other publishers and technology companies (Martin & Tian, 2010: 164). Because of new processes, partners and resources, publishers have developed new organizing paradigms for the production of multimedia for children, state Anthoney, Royle and Johnson (2000). They point to factors that appear to be critical to the success of children's publishers in the multimedia market. According to them, organizations should be leaner and more flexible, have decentralized teams accountable for specific products, and participative management and teamwork. Staff should be brought in from within or externally by outsourcing a mix of functions. Companies could also buy in innovation and more flexibility. The editorial function for multimedia like book-apps is seen as quite similar to that for books, enabling publishers to exploit their core skills from book publishing. On an organizational level, flexibility and innovation of technologies and processes seem to be crucial for success (Anthoney, Royle & Johnson, 2000).

New techniques and innovation can be bought in, but still there are certain skills in short supply for children's multimedia products like book-apps. Skills which children's publishers have recognized as being particularly beneficial include innovative and creative skills, interactive production, rights and talent acquisition, brand management and commissioning skills. Publishers need to find out where their benefit lies: in employing and training new staff or outsourcing functions required for the job (Anthoney, Royle & Johnson, 2000: 275). Some of the most effective strategies today are based upon collaboration, also with competitors. The reasons for such collaboration include a search for access to markets and scarce resources, especially resources such as the aforementioned organizational capabilities and human competences, and to achieve economies of both scale and scope. Besides stakeholders and tangible resources, the intangible resources thus are especially important, like relationships, competencies and capabilities, employee knowledge and experience (Martin & Tian, 2010).

Content creation, content packaging and content distribution are the main activities within digital publishing (Martin & Tian, 2010: 141). Content creation relates to the main component of value creation. This stresses the importance of the aforementioned creative and interactive skills. With content packaging service packages are marketed to end-users. Sales, reproduction and (digital) distribution are part of content distribution. With the essential skills, main activities and most

important stakeholders in mind, a children's publisher should be capable to decide whether he can produce and distribute book-apps. Considering the three types of book-apps, each publisher can figure out what kind of app he is capable of building.[10] Hence, questions like 'have we cleared the digital illustration rights?' and 'do we own the brand?' should be asked. In other words: what content can the publisher produce and which brands are at his disposal? Based on these considerations the publisher can decide either to license his content to app-developers or app-publishers, or license the software and build apps himself (Horne, 2012).

Investments in apps are large, both in time and money (Horne, 2012). Therefore publishers think they have to increase their international market focus, in order to gain a greater return on their investment. They hope to create new value and revenue by licensing content, selling rights and thus increasingly dealing in sales of international rights (Anthoney, Royle & Johnson, 2000). I will discuss costs and revenues within the children's publishing industry in the following paragraph, the Financial block of the business model.

4.4 Financial block

Within a business model, value is crucial and the customer is central but the fact of the matter is that everything – even the production of fun book-apps for children – is eventually about earning money. Within the Financial block of a business model, all costs and revenue streams are made clear. The cost structure regards to all the costs that are being made while producing, distributing and promoting a product. The revenue streams show how the revenue from this business is generated. The offer has to be as efficiently produced and valuable to the customer as possible, in order to reduce costs and maximize revenue (Osterwalder & Pigneur, 2010; Martin & Tian, 2010).

The revenue stream is the cash a company generates from their customer segments. The first question a company should ask itself is 'for what value is each customer segment truly willing to pay?' This question is partially answered in the Value and Customer blocks of a business model. The second question should be 'how are they paying and how would they prefer to pay?' Osterwalder & Pigneur (2010) describe seven different revenue streams that each give the customer different

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[10] The simple book-app, the "gamified" book-app and the book-shop-app. See § 2.4.

rights of use. The revenue streams that are relevant for app purchase are the payment of a usage fee, whereby the customer pays for the use of an app. With subscription fees a continuous access to a service is bought whereby, in the case of book-apps, a customer receives updates. With licensing payments are received for the permission to use protected intellectual property, which is common in de media industry. This revenue stream applies when a publisher is the licensor of a book-app and another publisher, the licensee, pays for the use of this app. With advertising a fee for the advertising of a particular product, service or brand is paid. Besides these different revenue streams, there is another distinction in revenues. Either one-time payments with transaction revenues are the case (as is the case with a usage fee) or ongoing payments with recurring revenues (as is the case with subscription fees) (Osterwalder & Pigneur, 2010). All revenues received minus the costs made, is the profit a company makes (Martin & Tian, 2010).

Costs can be calculated easily after defining all resources, activities and partnerships. Publishers should indicate their most important costs and wonder how these can be minimized. We can distinguish between cost-driven and value driven products. With cost-driven products a low price is an important part of the value proposition. With value driven products the focus is not so much on minimizing costs but more on value creation (Osterwalder & Pigneur, 2002; 2010). Costs can either be fixed or variable. With fixed costs the costs remain the same, despite the volume. With variable costs the costs vary proportionally, with volume (Martin & Tian, 2010). Another important characteristic within cost structures are economies of scale and economies of scope. Within the first, larger companies benefit from lower bulk purchase rates while within the latter not the scale but the scope is of greater importance (Martin & Tian, 2010: 68). In the next sub-paragraph I will indicate the most important costs and revenue streams within children's app-publishing.

4.4.1 Financial in e-publishing for children

With book publishing now well into the transitional stage from traditional to digital publishing there are obvious implications for the nature and scale of costs and revenue streams (Martin & Tian, 2010; Carreiro, 2010). The digital technology means that there is no single revenue model for all publishers. They all operate multiple revenue models for the provision of various products through various distribution channels to different customer segments. For iPad book-apps customers pay a usage or subscription fee and revenues will flow through the iTunes App Store. In most cases this will concern a one-time payment. In some cases, when an app is

updated with new stories every now and then, this concerns ongoing payments with recurring revenues. App-distribution thus happens completely digitally. According to Picard due to digitization 'publisher dilemmas of distribution have been freed from the shackles of print and paper' (Picard, 2011: 12). The traditional supply chain is faster and shorter and according to Picard (2011), costs are proportionally less. This might be the case with simple e-books, but apps are a lot more costly to produce. According to Horne (2012), an enhanced book-app would cost a publisher thousands of Euros for the start up only. Therefore, he sees a solution in enhanced e-books, trading apps and co-financing book-apps. Digitization changes the locations where costs are incurred so they are no longer associated with the distribution platform, but need to be invested primarily in content production itself.

Physical books are part of unit cost economies: their success is affected by economies of scale, transaction costs and additional distribution costs. Book-apps are part of fixed cost economies: there are almost no variable costs for additional production and basic production costs for competitors are most often similar. This results in an environment based on experience, product and service quality, and brand (Picard, 2005: 65). The major costs include content creation, marketing and other expenses (Martin & Tian, 2010). In practical terms, the costs for app-publishing include primary costs related to writing, editing, illustrations, (interactive) design, development, programming and copyrights. Also, costs of platform development, web facilities and communication are important. Furthermore, ongoing investments in the redesign, infrastructure and software are needed. Thus, content creation is the largest cost item. Marketing costs comprise of advertising, promotion, overhead and direct marketing. Finally, costs of recruiting staff with specialist skills are significant (Martin & Tian, 2010). Other costs concern salaries, royalties, inventory write-offs, distribution and rights management (Martin & Tian, 2010; Horne, 2012). The book-app thus might offer cost savings in printing, stock on hand and distribution but necessitates increased investment for content creation. These costs may well outpace traditional publishing costs (Martin & Tian, 2010; Horne, 2012).

4.5 Conclusion

According to Horne (2012), it is still the content that matters most within app-production. Learmonth (2010) states that native, interactive iPad apps are valuable.

Publishers should bring these two together, because entertainment, aesthetics and product attributes are all related to customer experience. Valuable product attributes are reputable writers and illustrators, good content, the potential for character building, being part of a series publication, hardware compatibility and effective usability, state Anthoney, Royle & Johnson (2000). With regards to the value proposition, children's publishers should offer good and entertaining content that's easy to use. "Good" relates to reputable writers and illustrators, and well-known characters. "Entertaining" relates to aesthetics and native apps that make use of media specific properties like interactivity. Finally, usability is of importance, especially for young children. Publishers have to communicate their value offerings by emphasizing points of differences with alternatives.

Within the Customer block, customer segmentation is one of the most important concepts, because according to Blocker & Flint (2007) it enables firms to target and understand customers. Children's publishers should actively create awareness among their target group and interact with them. Besides their own direct channels, online communities and social media like Twitter are convenient. Through these channels, companies can become more involved with their (potential) customers and can make themselves more visible. That way, they can make up for the poor visibility in the iTunes App Store. Traditional publishers lack knowledge of the multimedia consumer and should get to learn them better, preferably in places where this multimedia consumer 'hangs out': online. Thus, publishers should identify where their competitive advantage lies and who their target customers are. Focus groups proved useful in identifying customer needs and problems.

Within the production process, there should always be a striving for (more) efficiency. According to Anthoney, Royle and Johnson (2000) organizations should be leaner, more flexible and should make use of outsourced staff more often. Companies can buy innovation, flexibility and new techniques: all ingredients that seem crucial for success. Within children's app-publishing, especially innovative and creative skills, brand management skills and rights acquisition skills are seen as beneficial. Thus, intangible resources like knowledge and experience are major economic resources. Publishers should ask themselves questions about available resources and partners to find out what kind of app they are capable of building.

Within the Financial block, revenues and costs are described. With iPad app-publishing revenues are received through the iTunes App Store. With the digitization of content, the needed resources changed. Hence, costs change. The digital supply

chain now is faster en shorter and according to Picard (2011) the simplification of production processes result in cost-saving effects. However, both Horne (2012) and Martin & Tian (2010) are skeptical about this, because app production takes along other costs. With app publishing, content creation is the largest cost item and knowledge and skills of specialist staff are of major value. Publishers should find out what is more cost effective: recruit new staff or outsource (technical) activities. Clearly, children's publishers' business models must be reengineered to achieve effective business models within the digitized market. The abovementioned concepts and challenges are merged into larger themes. Below a Business Model Canvas visualization of these most important themes within e-publishing for children (Fig.3). This model was the starting-point of my exploratory research, of which the methods are described within the following chapter.

PRODUCTION	VALUE	CUSTOMER
Content Design & Development People Third parties Marketing Management	Qualitative and entertaining content that's easy to use	Children and their parents iTunes App Store Web Communities

FINANCIAL

| People	Marketing	Licensing
Production	iTunes App Store	
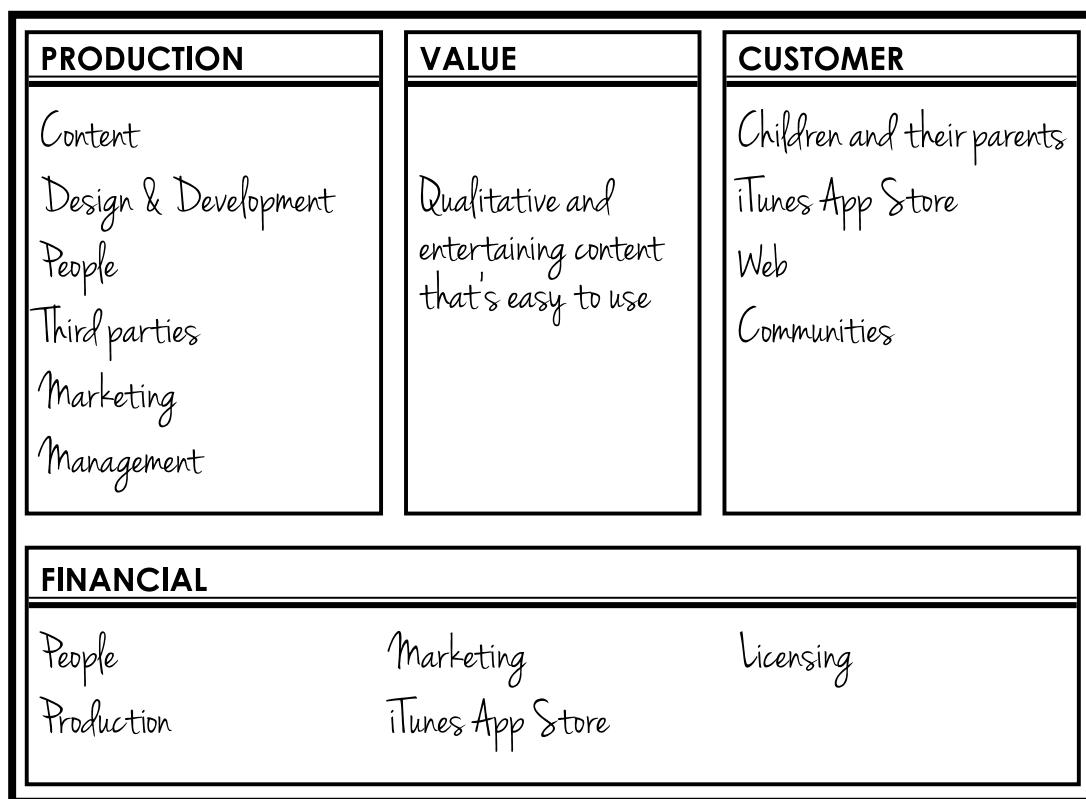
Figure 3: Business Model Canvas with most important themes within children's e-publishing

5. Methodology

This chapter deals with the choice for iPad book-apps for children as a research topic, and the applicable research methodology. The two methods used to explore how Dutch children's book publishers can successfully innovate the various (elements of the) building blocks of their business model concern both semi-structured expert interviews and case studies, through an analysis of ten successful children's book-apps. Furthermore, both the choice for the selected expert and selected book-apps are being discussed. This qualitative and exploratory research, in short, aims to identify key issues essential for that "strategic fit" that enables children's book-app publishers to adapt successfully to change and innovate their business model in this area of the digital publishing market. To organize, clarify and be able to truly understand all elements of the children's publishers' business, the Business Model Canvas of Osterwalder & Pigneur (2010) is applied. The canvas is build up by nine blocks that show the logic of how a company intends to make money. I've chosen to merge these nine blocks into four broader basic building blocks namely Value, Customer, Production and Financial. These blocks are used as a guideline and framework for my qualitative exploratory research.

5.1 Qualitative exploratory research

The main strength of qualitative research is its ability to study phenomena which are simply unavailable elsewhere, claims Silverman (2006). Quantitative research can tell us a lot about inputs and outputs but does not have the resources to describe how a phenomenon is locally constituted. As a result, its contribution to social problems is limited, also because there's little to no contact with people or the 'field' (Silverman, 2006: 43). The methods used by qualitative researchers exemplify a common belief that they can provide a 'deeper' understanding of social phenomena than would be obtained from a purely quantitative methodology (Silverman, 2006: 56). Qualitative research focuses not so much on just inputs and outputs of a phenomenon, but on the "whats" and the "hows". This, according to Silverman (2006), establishes the character of a phenomenon. This is exactly what I am focusing on within the children's book publishing industry: the establishment of the "business character" of children's app-publishers.

Quantitative research can lose sight of the way that phenomena become what

they are in particular contexts. This contextual sensitivity is important in qualitative research because it looks at how an apparently stable phenomenon – like an organization, a publishing house for example – is actually put together by its participants. The danger of the title "qualitative", however, is that it seems to assume a pre-defined evaluation of what is "good" and "bad" research. The choice, according to Silverman (2000) should depend upon what you are trying to find out. With my research I'm trying to find out how Dutch children's publishers can create a successful business model for narrative children's iPad apps. Hence, I've conducted ten semi-structured and in-depth interviews and ten case studies through an analysis of successful book-apps for children, which are discussed in the next two sub-paragraphs.

5.1.1 Expert interviews

I conducted semi-structured expert interviews because by conducting interviews it becomes clear what Dutch children's book-app publishers currently consider opportunities and challenges in app-publishing, and how their current business model deals with this. I selected experts in both children's book-app development, children's book publishing and experts who act as specialist advisers in both book publishing or kids media. According to Roulston (2010), a key step in interviewing is to use interviews in ways that are in line with the theoretical assumptions underlying a study's design. Thus, my study design focused at how to generate data for analysis that would inform the research questions, along the lines of the theoretical framework.

Most of the experts for my interviews (Fig. 4) were selected from the list of Dutch children's book publishers who are affiliated with the "Groep Algemene Uitgevers" (GAU) or General Publishing Group, which is part of the "Nederlandse Uitgeversbond" (NUV) or Dutch Publishers Association. The GAU protects collective interests of Dutch book publishers that focus on the public market. I have chosen those publishers who have undertaken the practice of app development and production. These are Querido – a partner publisher of Leopold and Ploegsma – Gottmer, De Vier Windstreken, Clavis Books, Unieboek | Het Spectrum and Zwijsen. It concerns both large, medium and smaller publishing houses. Besides children's book publishers, I focused on other experts within this business practice: children's publishers that focus solely on digital and app publishing. I came into contact with these three publishers through (online) research. The selected app-publishers stood out because they seemed to be at the forefront of technology in this

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field.

As a means of comparison, I also interviewed a specialist adviser in kids media. This interview offers material to compare the children's publishers to.

Expert	Function	Company	Category
Nienke Faber	Project Coordinator Digital Publishing	Querido, Leopold and Ploegsma from Weekbladpers Groep (WPG)	Book Publisher
Marius van Campen	Commercial Director	Gottmer	Book Publisher
Bob Marcus	Director/Publisher	De Vier Windstreken	Book Publisher
Leon Kustermans	General Manager	Clavis Books	Book Publisher
Lisa van den Herik	Business Development Manager	Unieboek | Het Spectrum	Book Publisher
Roel van Gestel	Publisher	Zwijsen	Book Publisher
Bert Vegelien	Publisher & Marketing consultant	Books2Download	App developer
Jochem Paarlberg	Business Manager	Appracadabra	App developer
Rikky Schrever	Director	Boekenwolk	Book platform developer
Cathy Spierenburg	Program Manager	MediaSmarties	Kids media expert

Figure 4: selection of ten experts for expert interviews

For the interviews a topic list was drawn up, based on the literary research and the formulated building blocks of the Business Model Canvas (Appendix 1). The interviews were used to gain insight into what app-activities are unfolding and how the Value, Customer, Production and Financial building blocks of the different business models are arranged and capable of anticipating opportunities and challenges. Dependent on the interviewee, some questions were modestly adapted to

the given situation and organization. Roulston (2010) claims by carefully considering how quality might be demonstrated in the generation of data, researchers might better deal with the critiques posed concerning the use of interview data for research purposes (2010: 224). To guarantee this quality, the questions were asked to elicit the data required to respond to the research questions. Since I was not familiar with the organizational structures of the selected publishing houses, some of my questions were open-ended. This approach was suitable because my research is of exploratory nature. It is suggested that open-ended questions should only be contemplated at early or exploratory stages of a study because it can be used to familiarize oneself with a setting (Silverman, 2006).

According to Silverman (2005), the strength of working with qualitative analyses is that it is naturally-occurring data that looks at *how* participants construct a meaning about *what* is set up. This provides the focus of the interviews conducted for this thesis; they were not used as confirmations of the literary research, but to see what children's publishers themselves put on their agendas as important issues within app development. The literary research was used as an important guideline. I mainly conducted personal face-to-face expert interviews instead of digital survey questions because these have a couple of disadvantages, like unclear answering instructions, lower response rates and an impersonal character (Evans & Mathur, 2005). I wanted to conduct a thoroughgoing understanding of current activities, choices, opinions, knowledge, and future plans within the Dutch children's publishing industry. I therefore wanted to be able to respond to answers, in order to conduct the best possible insights. All interviews were audio-recorded and transcribed afterwards.

Qualitative research is stronger on long descriptive narratives than on statistical tables. The problem hereby is how the researcher goes about categorizing the interview results described, known as the problem of reliability (Silverman, 2006: 46). A second criticism of qualitative research relates to the validity of the explanations it offers, known as the problem of anacdotalism. This relates to the way in which reports sometimes rely on a few telling examples of some apparent phenomenon, without any attempt to analyze less clear data (Silverman, 1989a). This complaint of anecdotalism questions the validity, which is sometimes doubtable because the researcher has made no attempt to deal with contrary cases.
My expert interviews explored how both book- and app-publishers currently give meaning to their business model, with the emphasis on what they do best, since I

have selected them because of their expertise.

The interview results, which will be discussed in the next chapter, have been analyzed, worked out and categorized within the framework of the four Business Model Canvas building blocks, in order to compare the findings. Both similarities and differences in practices and opinions are emphasized. These findings resulted in broader themes within the building blocks. This finally resulted in a Business Model Canvas with the most evident themes within the current Dutch children's app-publishing industry, which provided me with a clear notion and comprehensive understanding of different opportunities, threats and challenges within the business models of Dutch children's app-publishers. These results were used as a starting-point for the case study analyses of the ten children's book-apps. This app analysis will be discussed in the next sub-paragraph.

5.1.2 Case studies: App analysis

The most evident themes within the Business Model Canvas of Dutch children's app-publishing were used as a topic list for the ten case studies. Case studies allow exploring organizations through interventions, relationships, communities, or programs and support the deconstruction and the subsequent reconstruction of various phenomena, state Baxter & Jack (2008). A case study approach should be considered when the focus of the study is to answer "how" and "why" questions; you cannot manipulate the behavior of those involved or you want to cover contextual conditions because they are relevant to the phenomenon under study (Baxter & Jack, 2008: 545). All these motives are relevant to my case studies.

My case studies relate to the best children's book-apps worldwide, according to the jury members of the BolognaRagazzi Digital Award. This is a contest that was organized for the first time in 2012 and that is associated with the Bologna Children's Book Fair, which is the biggest event worldwide for children's book publishers, according to the GAU. The selected apps for the case studies (Fig. 5) are ten of the twenty BolognaRagazzi "finalist-apps". Hereby, I only selected the apps in the books, education or entertainment category. I excluded apps in the gaming category, because these are less relevant to my research. I also excluded apps that were not available in English and did not provide English information, because these made thorough analysis difficult.

The BolognaRagazzi competition was held for the first time this year and was dedicated to the qualitative production of apps inspired by children's books. An international jury selected and judged the apps on the basis of graphic quality, artistic

and technical excellence and informational value, with particular reference to overall publishing excellence. They thus did not consider the popularity, download rates or financial success of these book-apps. Participation in the BolognaRagazzi Award competition was free and open to all developers and publishers of mobile applications. This year 252 apps were send in, from 179 publishers and developers from 25 different countries. The jury consisted of four international experts active in digital publishing and illustration. One of them, Warren Buckleitner, has been reviewing children's technology products since the 1980s and is the editor of *Children's Technology Review* and a regular contributor to *The New York Times* and *Scholastic Parent & Child Magazine.* He stressed the narrative aspect of the reviewed finalist-apps by saying that 'we looked for narrative based multitouch experiences instead of regular games for our criteria.' For this research he provided me with the April issue of the *Children's Technology Review*, with the title "Apps that tell stories". Within this issue, the checklist that was applied for the BolognaRagazzi Digital Award is included. This checklist provided a valuable insight into what these experts think are the most important characteristics and crucial elements for children's book-apps.

I wanted to find out how the business models of the Bologna finalist-apps are build up. Contextual conditions were relevant to my study because subjects like the production processes, resources, partners and costs are part of the business context of app production and decisive for the insights into the concerning business models of these finalist-apps. Case studies thus could provide valuable insights and are also common practice in business modeling. In *Business Model Generation* for example, Osterwalder & Pigneur (2010) use case studies frequently, to illustrate business modeling by analyzing different parts and processes of various organizations. My case study approach is of exploratory nature because it was used to explore a situation in which the intervention that is being evaluated has no clear, single set of outcomes. The multiple-case study design was guided by the study purpose: it enabled to explore differences within and between cases (Baxter & Jack, 2008: 548). I've used propositions as a starting-point, based on empirical data, generated from the expert interview results. Both Yin and Stake suggest that propositions are necessary elements in case study research in that both lead to the development of a conceptual framework that guides the research (Baxter & Jack, 2008).

The case studies have been carried out online through an analysis of the ten apps itself, through desk research as well as digital survey questions with the

companies behind these apps. Both a topic list and survey-questions were drawn up on the basis of the most evident themes within the Business Model Canvas of Dutch children's app-publishing (Appendix 2). Trough an analysis of the app itself, the provided information in the iTunes App Store, the corporate websites, blogs and social media channels, I was able to collect most of the needed data. In addition, I sent out digital survey questions to the concerning app publishers. Unfortunately and despite multiple attempts, only five publishers responded. Furthermore, they were not willingly to release 'commercially sensitive' information.

App	App Publisher
Alphabeast	James Kelleher
Another Monster at the End of This Book	Callaway Digital Arts
Bartleby's Book of Buttons Vol. 2	Monster Costume Inc
Being Global	SachManya LLC and Little Pickle Press
Bobo Explores Light	Game College
Bizzy Bear on the Farm	Nosy Crow Limited
Dans Mon Reve	e-Toiles Editions
Go Away, Big Green Monster	Night and Day Studios
Numberlys	Moonbot Studios LA LLC
Stella and Sam Storypack	zinc Roe

Figure 5: selection of ten case studies for app analysis

Callaway Digital Arts answered that 'most of the information you are asking for is proprietary company information that we cannot share with you.' British publisher

Nosy Crow is contacted by students all the time and decided to only support a small number of Masters in the UK, so they can 'make face-to-face connections and benefit from the recruitment opportunities that flow from those relationships,' besides 'some of the information you request is commercially sensitive.' App publisher SachManya especially wanted to know how his company would benefit from providing this information. An important first finding is thus that detailed information about production processes, costs, revenues and download rates are not easily provided. Luckily I was able to collect most of the needed data, for an analysis or the Business Model Canvas building blocks.

According to Baxter and Jack (2008), a hallmark of case study research is the use of multiple data sources, which enhances data credibility and the aforementioned validity. For this research direct observations and digital surveys served as the main data sources. Each source is a piece of the puzzle, contributing to the understanding of the whole phenomenon of successful book-app business models (Baxter & Jack, 2008). My results were worked out and categorized within the four building blocks. Hereby, I analyzed and described each app independently. Subsequently, each app was visualized in a Business Model Canvas (Appendix 3). By comparing the ten case studies and canvasses, I was able to identify important corresponding themes. This resulted in a new Business Model Canvas, made up of four blocks with the most evident themes according to the publishers of the ten BolognaRagazzi finalist-apps. By comparing the "Dutch children's publishing Canvas" with the "BolognaRagazzi Finalist-app Canvas", I was able to appoint similarities, different practices and conduct an overall insight into the elements that could create a successful business model for narrative children's iPad apps. The results will be presented in the next chapter.

5.2 Conclusion

This thesis entails an exploratory analysis of elements within the four Business Model Canvas building blocks that could contribute to a successful business model for children's book-app publishers. The two methods provide a qualitative look at both what experts think are opportunities, threats and challenges within this business and how the business model building blocks of rewarded apps are build up. As pointed out above, both methods have their advantages and disadvantages, though they were be able to perform an extensive analysis in which the business model

building blocks are the focus points. Expert interviews were conducted because of the insights they provide into the current practice of book-app publishing and to see what children's publishers themselves put on their agendas as important issues within app development. The case studies provided valuable information about how the business models of successful book-apps are build up. The results in the next chapter are presented according to the Value, Customer, Production and Financial blocks of the Business Model Canvas. Valuable patterns were detected, which make up the indicators for an "app-prepped" business model.

6. Results

Within this chapter the results of my qualitative research are discussed. I will first discuss every building block of the Business Model Canvas independently, on the basis of the expert interview results. The results are thus categorized and described within the Value, Customer, Production and Financial blocks of the model and on the basis of the main themes within these blocks, as formulated in chapter four. The results of these expert interviews were the starting point for my app analysis case studies. Through a building block analysis of ten BolognaRagazzi finalist-apps, I gained insight in elements of the business models of the companies behind these apps. In conclusion, I compare the themes within the "Dutch children's publishing Canvas" with the "BolognaRagazzi Finalist-app Canvas".

6.1 Experts about the Building Blocks

Based on the literature, I formulated the most important themes within children's e-publishing which I visualized in the Business Model Canvas (Fig. 3). These themes were the starting point of my semi-structured expert interviews. The interviewed children's publishers have been focusing on digitization and app production for more than a year now, some slightly longer than others. Remarkable is that almost all parties, despite the uncertainties, are optimistic and excited about the current digital developments. In the following four sub-paragraphs, I will discuss what Dutch experts consider the most important challenges, problems and opportunities within children's iPad app publishing. The interview results are subdivided into the most evident themes within Dutch children's app publishing. These themes are visualized in a Business Model Canvas (Fig. 4).

6.1.1 Value Block

A successful company is one that has found a way to create value for the customers, state Johnson, Christensen & Kagermann (2008). In this case, value propositions should persuade customers to buy book-apps from one app publisher rather than from another. App publishers should thus differentiate their offer. All interviewed experts unanimously approve that a children's app should contain good – qualitative and entertaining – content, thus they all agree with Horne's (2012) statement: it's still the content that matters most.

Content

With Piccolo Picture Books, stories come first, says Lisa van den Herik of Unieboek | Het Spectrum. They are focused on user requirements instead of technical and interactive possibilities. Van den Herik thinks successful (and international) characters are valuable, because they increase the "discover-ability" and thus the chance of success of these apps. Likewise, Marius van Campen of Gottmer especially believes in strong characters, like Gottmers' Dikkie Dik. In the first half of 2012 Gottmer has ten apps. Their main value proposition is to market high quality content. They consciously talk about "content" instead of books, because it's the content that counts: whether it is physical or digital. Nienke Faber of Querido thinks the main value proposition of their Kinderboeken app also relates to the titles and characters within the app. As a leading party within the Dutch children's book publishing industry they have an advantage, because they benefit from having leading characters like Jip & Janneke, Kikker and Dolfje Weerwolfje. These characters are united in the Kinderboeken app, a product of children's publishers Querido, Ploegsma, Leopold and Zwijsen. They are united in WPG publishers and together created the Kinderboeken app that was presented in January 2012. This book-shop-app is a "shell" for various digital children's books.

Books2Download offers value to their customers by making book-apps of existing stories that aren't published and for sale anymore. Although interactivity and media-specific properties are important when developing for the iPad, it's particularly important to focus on the storytelling, says Bert Vegelien. Children's media expert Cathy Spierenburg of Mediasmarties acknowledges the importance of storytelling, because 'without a good story the app is worthless.' In addition, Horne (2012) advises publishers to 'pick only your most popular titles for the App Store.' Zwijsen meets this claim by focusing on the exploitation of their best brand "Maan Roos Vis." Popular titles form important points of difference with the next best alternative (Anderson, Narus & Van Rossum, 2006). According to Roel van Gestel from Zwijsen, there are no other book publishers in The Netherlands that offer the same value and educational products for children. Zwijsen thus has a strong position within the Dutch children's educational app market. On the contrary, Clavis' current book-apps are part of an overarching app-concept named "Fundels", whereby different children's book-apps from various Dutch and Belgium publishers are included. The format is relatively simple and can be categorized as simple book-apps (Horne, 2012). With the Fundels app Clavis is focusing mainly on the professional

market: primary schools and libraries. Leon Kustermans is pleased with the results because it was a safe way to experiment. However, a potential drawback of the Fundels app could be the homogeneity of the different stories. This could result in a less positive aesthetic experience. Individual titles and brands normally form important points of difference, but are uniform within this Fundels app (Anderson, Narus & Van Rossum, 2006). Clavis is developing 'own' book-apps also. Hereby, already existing children's books are turned into simple book-apps, with some extra interactive and educational elements. Kustermans thinks the story should be leading and he opts for modestly interactive book-apps.

Unieboek | Het Spectrum also decided to enhance their Piccolo Picture Books modestly. They selected books with illustrations of high quality and only used natural drawings, no computer animations. Furthermore, they only selected stories with characters that show humor and are entertaining. Unieboek | Het Spectrum focuses on a favorable points of difference value proposition, by listing a couple of advantages for their readers. The interactive picture books have the aforementioned integrated read-aloud function, the app is easy to use because of intuitive navigation and illustrations and audio are of high quality. Bob Markus of De Vier Windstreken also thinks high quality illustrations are of major value. He thinks their physical books contain beautiful illustrations and he wants to offer the same high quality illustrations within their book-apps. That's why he wants their most successful title – De Mooiste Vis van de Zee – to be turned into an app. For this, they are dependent on their German licensor who, at the time of the interview, was working on this app.

Interactivity

Besides good content, popular characters and beautiful illustrations, app-publishers think native and interactive apps are valuable to their customer segments. At Apracadabra, they believe in native apps and think simple, static book-apps are a waste of time and money. 'Don't do it, when you don't offer something extra,' says Jochem Paarlberg. According to him, static apps don't do justice to the iPad device. Appracadabra's value proposition is the Resonating focus proposition, which concentrates on one or two points of difference that deliver the greatest value to target customers: native children's apps in their own language (Anderson, Narus & Van Rossum, 2006). Vegelien of Books2Download also thinks an app should be treated as an app, simply because 'it's not a book.' Both relate to storytelling, but the app is a whole new medium. Their first app – Timo and the Magical Picture Book – was one of the first enriched and interactive apps in The Netherlands. At that point

there were many points of difference, because there simply were not many next best alternatives (Anderson, Narus & Van Rossum, 2006). They were able to satisfy a need and created value for customers, thereby staying ahead of competition.

Likewise, Van Campen strongly believes in the added value of native iPad apps. At Gottmer, there exists a strong faith in digitization and tablet devices for the future. The main value of iPad apps is the interactivity and the independent kids-use of the device, according to Van Campen. Faber acknowledges the value of media-specific properties but for the Kinderboeken app the focus was on building a good foundation first, before experimenting with new and native functionalities. According to Spierenburg, both the story and the media-specific properties of an app are most important. Above all it is the interactivity that counts, she says. Interactivity should be both useful and fun. Spierenburg states that few app-producers are capable of making these apps. Likewise, Kustermans believes in apps with the story as a starting point but thinks interactivity is the most important benefit. Faber affirms this statement but says 'interactivity and animations should be in line with the story.' Zwijsen wants to focus on the interaction-aspect more with their future apps, states Van Gestel, because 'real interaction between the child and the app is a major advantage of native apps.'

At De Vier Windstreken they find it difficult to think digital. According to Bob Markus, they still think predominantly in paper. Markus doesn't really believe in native apps, because he thinks title and character should already be popular. That's why they aren't currently developing own and/or native apps. Like iOS children's apps, the web based Boekenwolk app – an online library filled with digital children's books – answers to abovementioned value elements like entertainment, education and usability. However, it relates to "flat" digital books that don't make use of media specific properties, that aren't interactive and don't contain animations. Of major value however, is the fact that the web-based app is platform independent. Because it is web-based, it can be opened at every (tablet) device, both iOS and Android. The display size is optimized for the iPad, though.

Usability

Especially native children's apps should be intuitive and user-friendly. At Unieboek | Het Spectrum they take their target groups into account and see that many users are comfortable with a "gradma-proof" app, one that doesn't need instructions. Appracadabra pursues child-friendliness and aesthetic experiences with their apps. According to Paarlberg these are their most important value elements and

(marketing) messages. As an introduction to their ten Kind Kids Apps Rules they state 'we believe apps are an amazing new medium (…) that is easily accessible to and used by very young kids, (…) A new medium needs new rules (…) on how to create an app that is kind for kids. Here are our rules. We are developers who pledge to play by these rules!' Their ten rules are the following: Don't be ugly; Find new ways; Don't be easy peasy; Make sense; Don't be boring; Think out of the box; Don't be sneaky; Speak their language; Don't be a tattletale and, Take kids Seriously.[11]

For their own future apps, Marcus thinks ease of use and simplicity is important. Animations and interactivity should be used modestly, 'because the app still has to be a book,'says Marcus. Many interviewees also seem to struggle with old and new paradigms (Rutten, 2007: 10). Boekenwolk also pursues usability, by offering safety, fun in reading, convenience and comfort. It offers children all sorts of books, is child-friendly and stimulates children to read independently. Important customer benefits are that (new) digital books are always at their fingertips; categories like age, level, subject, author and title make suitable titles easily searchable; books are read online ("in the cloud") so downloading (heavy) files onto the tablet device isn't necessary; all books are accessible with one click; it regards a safe online environment and offerings grow and are updated according to the child's age.

Educational

Since the concerning apps are developed for children, educational elements seem to play an important role. According to Spierenburg, an essential part of children's apps is that it focuses on the right age groups, skills and learning phase. Books2Download meets this need because, when making a children's app, they take the age and learning process in consideration and win in advice about the learning stages in relation to interactivity and interface of an app. Education and entertainment can and should go hand in hand and apps are the right products for this, states Spierenburg. Dutch app developer Appracadabra agrees to this. Jochem Paarlberg from Appracadabra explains that, because they specialize in apps for kids, they have a clear vision on the subject and on what is 'right' and 'wrong'. They don't want apps to be "easy peasy": apps should trigger and motivate children to learn something. Piccolo Picture Books focuses on the beginning reader with their "learn-to-read"

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[11] For a complete description of Appracadabra's Kind Kids Apps Rules, see: www.kindkidsappsrules.com

function, whereby highlighted text helps beginning readers make associations between words they hear and see.

Van Gestel of educational publisher Zwijsen thinks they offer the best educational value by exploiting their "Maan Roos Vis" brand: the official reading method in most primary schools in The Netherlands. He is annoyed by apps that don't use the right reading methods. With its apps, Zwijsen offers a resonating focus value proposition (Anderson, Narus & Van Rossum, 2006). It concentrates on the one point of difference that deliver the greatest value to target customers, that being the educational basis of their apps. This point of difference with other Dutch children's book publishers makes their offering superior to the next best alternative. Zwijsen develops reading methods for children, and their methods are used on 85% of the primary schools in The Netherlands. With their educational app "Maan Roos Vis" they exploit the same reading methods, within an iPad app. Because primary schools, parents and children alike are already familiar with this method and with Zwijsen, this is of major value.

6.1.2 Customer Block

Customer segments are the different groups of people an enterprise aims to reach and serve. They comprise the heart of a business model (Osterwalder & Pigneur, 2010). With digitization and app development, traditional book publishers switch to another customer segment. While earlier bookshops and wholesalers where their main target group, they now need to reach and communicate with the consumer market. This requires a new approach.

Children and their parents

As described in chapter four, with children's app publishing the customer segment specially comprises children and their parents. With the advent of the iPad, Van Gestel immediately saw the possibilities for their customer segments. The interactive possibilities make the iPad very interesting for children, because they crave interaction and like that they control the device, claims Van Gestel. Zwijsen so far developed six children's apps, together with elementary school students, teachers and education experts. These focus groups are valuable in identifying the needs of their customer segments and testing the appropriateness of Zwijsen's apps (Anthoney, Royle & Johnson, 2000). The learning phase of students is hereby the focus point. This is a good development according to Spierenburg. She sees an increase in attention for young children as a target group and thinks that it's because of the

current (increased) popularity of "edutainment". Her advice to children's app developers is to study their subjects, young children, carefully. They are interactive creatures that want to participate and enjoy their power over an app. An essential part of children's apps is that it focuses on a specific age group, skill and learning phase. Spierenburg points to the fact that understanding these children is a way to gain advantages against competitors, because app publishers should remember that competition is fierce. To make their products stand out, contact with (potential) customers is crucial, she thinks.

At Querido this contact is established through customer test groups. Six to eight children, between two and eight years old, test new apps together with their parents. Parents are important, states Faber, because they are the buyers and also use apps together with their kids. During the test, children and parents are observed. Afterwards there is a group discussion that provides insights into the opinions and experiences of their target group. Querido produces book-apps for children from two till six years old, says Faber. They haven't defined exact customer segments for their book-apps, but they're working on it. At the time of the interview WPG, the overarching organization, conducts a market research. Faber thinks they should improve their strategy when it comes to customer research. Kustermans doesn't see the added value of customer or market research beforehand. He thinks Clavis should rely on their own knowledge and competence when producing apps because 'everybody is experimenting and there is no single or fixed success formula yet.' He thinks a little product like an app can be perfect for the customer, if it does everything the customer expects it to do. This depends on the created expectations. Clavis is focusing on children on primary schools and library's with their participation in the Fundels app.

At De Vier Windstreken, bookstores and libraries are still seen as the main target group. However, they also started focusing on consumers but haven't formulated specific customer segments, because they want to reach as many people as possible, states Markus. Unieboek | Het Spectrum focuses specifically on children and their parents in The Netherlands, Germany, The United Kingdom, France and Spain, with their Piccolo Picture Books. Appracadabra also has an international customer segment. They focus on children from zero to six years old and by presenting their kids apps in sixteen different languages, they want to reach a bigger market. Appracadabra's whole business builds on (the lack of good) multilingual apps for children. At Books2Download they get to learn their customer segments –

children between zero and ten, and their parents – through focus groups. They closely consider children's learning phases and win in advice about age-appropriateness, usability and interface, with the aim to make an app that fits their target group.

The first thing Van Campen asks himself when digitizing a children's book for the iPad is 'What would a child really want to see on an iPad?' Gottmer aims at the new generation: children who expect good digital offerings. They expect that children's reading behaviors will be affected and will chance, because of the current digitization. But Van Campen doesn't think book-apps and physical books rule each other out. He strongly believes in the customer-centric approach and 'what wishes does the reader have?' is thereby the most important question. Their apps aim at children between two and seven years old but Gottmer doesn't work with strict customer segments, they want to reach the largest group possible. Besides the fact that this thesis focuses specifically on iPad apps, publishers acknowledge that these are in fact their most important target group. Gottmer predominantly focuses on the Apple market, with iOS-based apps. They produced two Android apps as an experiment but according to Van Campen, the Android device-owners are less willing to pay for apps. Their Android apps sells much worse than the same apps for iOS. Books2Download also focuses on households with iOS devices, for the same reason. Zwijsen produced one Android app as an experiment, but also confirms that this app sells worse than the same iOS-based app. Van Gestel presumes that parents with iPads are more willing to pay for apps, because they are more concerned with the education and entertainment of their offspring. With her "in the cloud" web based app Boekenwolk Schrever aims at all families with tablet devices. It is her experience that tablet-owners have a much more positive attitude towards digital reading than non-owners. She formulated two target groups: users and buyers. Boekenwolk is intended for children from zero to twelve years old. Their parents will mostly be the buyers and are thus the target group for marketing. Schrever describes them as higher educated, two-earners, tablet-owners and concerned parents.

Increasingly, children's media producers request reviews at Mediasmarties before publishing their products, because they want to know of their product suits their target group. A good development, thinks Spierenburg. Because it is such a new field, app makers are looking for advice. That's why Mediasmarties organizes master classes for app makers, whereby they focus on the child's development and how app

publishers should anticipate. 'Children should be the central focus point in app development,' affirms Spierenburg.

iTunes App Store

With the production of iPad apps, publishers depend on the iTunes App Store as their only sales channel. Opinions about the App Store vary. According to Van den Herik, the App Store offers valuable chances to reach foreign markets because 'it makes international distribution of content much more easier.' Van Gestel doesn't have problems with the App Store, as long as Apple provides the services that they pay for. Paarlberg thinks the iTunes App Store is a handicap. Although, he does think the Apple image is one that Appracadabra wants to connect to, more than Windows or Android. The fact that you don't control the sales process with iTunes is a major disadvantage, thinks Paarlberg. Kustermans doesn't see iTunes as an obstruction at all. He thinks it is wonderful, because it enables worldly reach through only one channel. He acknowledges the visibility-problem but thinks this is a challenge with every product and sales channel. Promotional activities should make the difference, he thinks. Vegelien both loves and hates the iTunes App Store. He hates that it is such a closed circuit – you never know exactly how it works – but likes that iTunes is well arranged, better than competitors like Google Play. He applauds the iTunes charts because of the valuable information and the positive influence it has on sales. He dislikes the fact that there are so many other apps in the App Store that compete for the attention of consumers. Faber is positive about the iTunes App Store and doesn't consider it a handicap. For now, it is the best and biggest app sales channel. If you can't sell it there, you can't sell it anywhere else, states Faber. Van Campen likes the fact that the App Store is a controlled environment that seems to be well protected against piracy. To Markus, the App Store is an eyesore. To him, the platform is confusing, badly searchable and not very user friendly. He feels convicted to the App Store but knows he has to master it, because it is still the dominant app sales channel.

Web

In addition to the iTunes App Store, publishers are trying to reach their customer segments through own websites and social media channels. All interviewees have Twitter accounts for example, but they have to find ways to use these social channels more effectively. Piccolo Picture Books has both a Twitter and a Facebook account, but at the time of writing their last post and tweet were over a month ago. Besides the

iTunes App Store, Appracadabra tries to reach their customers in other ways. Their websites – they have several – and social media are important and commonly used (promotional) channels. They invest a lot of time and energy in promoting their apps, both in The Netherlands and abroad. They use Twitter for all the reasons Woudstra (2009) mentioned: to interact with stakeholders, familiarize with activities of bloggers, update their industry-knowledge, obtain feedback and exposure, and share information. Also, they blog in English extensively and almost every day. Paarlberg admits that it is hard and challenging work, to position oneself in a foreign market. Their efforts seem to pay off because at the time of writing Appracadabra and their Kind Kids Apps Rules just got international attention in the Wall Street Journal. The discussion about kids apps and privacy is an important topic and the child-friendly apps of Appracadabra are seen as a good example. In response to the Wall Street Journal article, they also received attention in the Dutch newspaper Het Financieele Dagblad.

Books2Downlaod also tries to reach customers through additional channels. They send out press releases to on- and offline media, post blogs on their website and are very active on social media, like Twitter. Vegelien's marketing background is a big advantage and he therefore also organizes workshops about app-marketing. Gottmer and Zwijsen for example win in the advice of Books2Download. Through their website, newsletters and Twitter, Gottmer interacts with it's customers. They don't have a Facebook profile but use Facebook as an online marketing channel, through banners. Twitter and Facebook offer possibilities for interaction. However, Markus is less interested in interaction because his main goal is to sell more books. Social media takes time and Markus doesn't know if it's really worth the time and effort, because it leads to nothing concrete. Also, nobody in the organization is social media savvy. Nevertheless, he feels that they should do something, because otherwise they will be overtaken by competition. Faber believes in the snowball effect and therefore thinks Querido, and the Kinderboeken app, should make use of as many (social media) channels as possible, because these multiple channels should enhance each other.

Communities

Within this new app-market, publishers are searching for which relationship to establish with their customer segments, and how. Since the iTunes App Store is their main sales channel, their first relationship regards automated services. This service is more personalized than self-service because individual customer preferences are

identified. If publishers want to establish a closer relationship with their customer segments, a relationship based on communities or co-creation is recommended (Osterwalder & Pigneur 2010). Within a community, direct interaction between the app-publisher and client is possible. Knowledge can be shared and problems solved (Woudstra, 2009). Co-creation regards a personal relationship through the customer's direct input in the final outcome of the publisher's product. Unieboek | Het Spectrum takes their customer segments into account but thinks the biggest challenge with app development is that you constantly have to make assumptions about what the customer wants. The app market is a new market and there is still little known about the (future) desires of customers. Also, the behavior and wishes of early adopters are not always representative for the early and late majority, states Van den Herik. Establishing a relationship through communities would help Unieboek | Het Spectrum in getting to know their customers better. Books2Download, for example, make extensive use of Twitter in the communication with their customers, and other parties. Besides these online channels, they also work with a database that continues to grow. When they launch a new app, they send out a newsletter. Their own database generates almost enough sales to get a high ranking in the App Store. Through this database, their website and social media, they keep in contact with customers. Also, using test panels before publishing an app and asking the opinion of customers can enhance the customer relationships. Both Querido and Books2Download have positive experiences with test panels. Zwijsen started using Twitter in the communication with their customers, but is still mainly focused on establishing relationships through their traditional channels. They maintain good contacts with primary schools and promote their apps through their own physical magazine Maan Roos Vis.

Foreign markets

Almost all interviewed publishers aspire to make multilingual apps and/or expanding into foreign markets. This desire to "conquer" foreign markets is also appointed by Martin & Tian (2010) and Horne (2012). According to Appracadabra, apps should be multilingual and speak every child's language. Therefore, they offer their apps in sixteen different languages. Unieboek | Het Spectrum presented their Piccolo Picture Books as an internationally oriented brand, that offers all books in five languages. Kustermans of Clavis Books thinks it is not more than logical to enter foreign markets. He thinks it would be foolish not to. Also, Faber and Van Gestel would like to take their future apps abroad, but first they want to establish a solid fundament for

their current apps. Van Gestel sees a couple of difficulties in multilingual apps for Zwijsen. He thinks that it would be difficult to reach foreign customer segments. Besides, children in the UK have other reading methods, so Zwijsen's "Maan Roos Vis" approach doesn't apply. Moreover, he thinks publishers can't just aspect their apps to become successful in other countries. They would need connections abroad first, like an agent or marketer who knows how to best reach parents, schools and children. Books2Download agrees to this. They created the Timo-app in Dutch and English because they saw international opportunities. Now they're skeptic about it, because experience showed that just the app is not enough. A native third party or partner is needed to promote the app, because 'branding is key,' says Vegelien. Price-actions work for a little while, but it doesn't last. Schrever acknowledges these difficulties of international publishing and also thinks that a third party is needed. However, she also dreams of an international Boekenwolk.

6.1.3 Production Block

The Production block of a business model unites the different elements that make the production of an app possible. To change their offer and to reach their customer segment, children's app publishers have to carry out changes in this block. One of the most important activities during the production process of children's apps is the design and content development process.

Content and development

Most interviewed children's publishers start the design process with the choice of the book that will be turned into an app. At Books2Download, they first evaluate the content, briefly formulate the purpose of the book-app, and make a first sketch. During the development, every single page is worked out. All animations, sounds and interactive elements are described. This results in an app-script. When the necessary sounds are recorded, all content is brought together in a first design. Subsequently, a functional design is made whereby everything works as it supposed to. Both author and illustrator have to agree with this design. When this is the case, the final app is made and voice over's, mixed sounds and special effects are added. Then, the programmer technically develops the app. This is checked, corrected and the final version is uploaded onto the Apple account, waiting for authorization. Within this production process, the digitally 'cutting' of illustrations is very time consuming. Various illustration elements have to be freestanding in order to animate them. Vegelien, Faber and Van Campen consider this a problem. At

Books2Download, the animator does the 'cutting', which costs many hours and thus a lot of money. At Querido they hire a student-animator to do this job. It also could be done in India or South America, this would be more time and cost efficient. Faber is considering outsourcing this work to an Indian party.

At Querido, the choice for an app title is made by the publisher and is dependent on the available and most successful characters. Subsequently, a request for permission is send to both the author and illustrator. When they give their permission, the publisher and editorial staff write an app-storyboard, decide what every single page is going to look like in digital form and which interactive elements are needed, and where. Both author and illustrator have to agree on the storyboard, before the designer is going to work with it. Then the audio is recorded and everything is put together. After the first correction round, a second prototype is made and finally, a definitive version is published. During the production process, 'bugs' (technical problems) are considered to be the most problematic. There is not enough technical knowledge within the organization to deal with these problems so when this happens, they are dependant on external technical parties. Especially during the start-up this was a frustrating problem, says Faber. Vegelien also dealt with start-up problems with the production of Timo and the Magical Picture Book, almost two years ago. They didn't know anything about the process. Now that they do, they can produce apps far more efficient. According to Vegelien, they can make an app within three to six months, depending on how rich the app is animated and whether or not it consists of interactive elements.

As commercial director of Gottmer, Van Campen decides which titles are turned into apps. The app-development itself is outsourced. During the production process, Van Campen thinks the most difficult part is to find a balance between creativity, feasibility and affordability. Unieboek | Het Spectrum encountered a same sort of obstacle. Within the production process of Piccolo Picture Books, the template-development was difficult because a standardized solution strongly limits the creative possibilities per individual title. An advantage of working with a template is the cost-saving argument and the possibility to publish content faster. A technical challenge during production was the spoken texts and the "learn to read" function, whereby children can read along with the spoken text. This was difficult but now that they know the process – and found the right partners – this can be carried out much more (time) efficient.

Together with his editorial staff, Van Gestel decides which Zwijsen title is

going to be turned into an app. Subsequently he wins in the advice of several education experts. Both app concept and functional design are created at Zwijsen. The technical development is outsourced. Kustermans also outsources the technical part of app-development for their future apps. They decide which titles are suitable for app publishing and make an app storyboard. These first steps are carried out internally because they want to develop the basic "know how" of app-production. Appracadabra believes in apps designed from scratch. They write and illustrate new app-stories in house and are also responsible for the graphic design and storyboards of the apps. However, they outsource the technical part of app development. They don't consider this a problem because they strictly coordinate the whole process. The production process of an Appracadabra app takes about one year.

At De Vier Windstreken they don't really believe in native apps. That's why they aren't currently developing own apps. Their bought-in apps have to be translated into Dutch and new voice-overs have to be recorded, before publishing them in the iTunes App Store. These last steps in the production process have to be outsourced. Markus considers it a problematic process and time is his biggest enemy. Schrever also thinks the time-consumingness is a big challenge of app-production. However, her biggest challenge was to deal with the knowledge level of the approached publishers. A year ago, many of them didn't exactly understand what she was talking about regarding digitization, apps and "in the cloud" reading. She now sees a change in both knowledge and attitude.

People and Third Parties

Within the production process of children's apps, people – especially their knowledge and experiences – are crucial for successful app production (Anthoney, Royle & Johnson, 2000; Martin & Tian, 2010). Many interviewees acknowledge the problem of finding the right skills. Some publishers want to integrate new knowledge and skills in their organizations, others rather temporarily buy knowledge and skills, trough outsourcing. According to Kustermans, the knowledge and experience of employees is crucial with app production because 'it's an important asset for the company and increases the chances of success.' Books2Download consists of only two persons, but they work with several freelancers. They have good experiences with their animator, who they came into contact with via Twitter. Essential for the app production according to Vegelien are a designer, a programmer, an animator and a project manager. Vegelien finds it difficult to find a good and communicative programmer and considers the technical part of app-production the most complex

and problematic, because you just can't fully control it. Faber is Project Coordinator Digital Publishing: a new function that was created last year, with the aim of integrating digital publishing in the organization. At Querido, they want to learn more about digital products and processes by doing it themselves and outsource as little as possible.

Nevertheless, most parties are dependent on third parties, especially for the technical development of apps. Markus considers this the biggest problem within app production, the dependence on third parties. He is positive about his strategic alliance with Fundels because he considers them a trustworthy party and because there is little (financial) risk and little time needed. At Querido, WPG is responsible for a part of the technical realization and the programming of the apps. They worked with an external party for the technical development of the Kinderboeken app, but this was one-time only because it regarded the "shell" of the app. They outsource as little as possible because the want digital to be a part of their DNA. Likewise, Kustermans doesn't 'just' want to outsource everything. He thinks that they should experiment and learn, also in 'difficult' fields of interactivity, design and programming. Kustermans is appointed General Manager at Clavis, with the aim of leading these digital processes internally and building digital knowledge. For the technical development they work with various partners because he doesn't wants to commit to just one party.

At Gottmer they also work with various creative and technical partners, because at this early stage in app production, Markus doesn't want to tie to only one party. Moreover, sometimes one company can offer something that the others can't. At Gottmer, they don't feel the need to develop creative and technical skills in-house. Like Anthoney, Royle and Johnson (2000) he values a lean and flexible organization. Gottmer therefore works with third parties a lot. Van Campen thinks this flexibility contributes to their quick decision-making. If they decide something one day, they can realize it the next. That's why the Dikkie Dik app was one of the first kids' apps in the iTunes Twitter, says Van Campen. Also, he thinks that it's beneficial to work with external parties, considering the fast technological developments. If they suddenly need a new technique, they can just switch to another supplier. That way, Gottmer is capable of anticipating new developments. Van Gestel of Zwijsen also acknowledges the benefits of working with different creative and technical parties. It took some time to decide which parties to work with, because they were looking for a trustworthy and experienced party. They didn't want

to take any risks with their strongest brand Maan Roos Vis. Finding the right party and placing trust in them was the hardest part of the production process, according to Van Gestel.

For the production of the Boekenwolk app, Schrever is dependent on three important partners: platform-developer Yindo, who's responsible for the technical part that makes Boekenwolk possible; a graphic designer who designs an attractive and "kids-proof" interface and cooperating publishers. Yindo maintains rightful owner of their platform and is therefore more than 'just' a third party, it's a partner. Unieboek | Het Spectrum also works with a partner. Mobile Generation is an internationally oriented company that specializes in mobile marketing and advertising and is responsible for building the Piccolo Picture Books app. Because marketing of book-apps need much more time and effort than with print, Unieboek | Het Spectrum works with external parties in both The Netherlands and abroad, for joint promotions. This is difficult in foreign countries because they don't control it and can't fall back onto their existing network. Also, both publisher and characters are unknown within these markets and this is detrimental to free publicity and building new partnerships. Van den Herik considers partnering with Mobile Generation an advantage, because they're part of an international network that functions as a media agency for both online and mobile advertising.

Cooperation

The interviewed publishers are currently experimenting with app production and need to learn from their own and each other's experiments. Not surprisingly, partnerships take shape. WPG publishers unite children's publishers Querido, Ploegsma, Leopold and Zwijsen. It was only logical that they created the Kinderboeken app together, thereby reducing costs, risks and sharing infrastructure, some of the reasons that Osterwalder & Pigneur also appointed (2010). De Vier Windstreken doesn't have an own app yet but like Clavis Books, they are likely to work with book-shop-app Fundels. The value of the Fundels concept for Markus is the payback model and the fact that he remains owner of the digital rights. Markus also bought two foreign apps that still have to be published in the App Store. Visibility will increase by cooperating with partners, states Kustermans. According to him, traditional (book) partners can play an important role. Clavis has a large international network and will approach foreign partners to work together. Gottmer and Zwijsen also believe in cooperation with foreign partners. At the time of the interview, both Gottmer and Zwijsen were about to buy the licenses of (successful)

foreign apps. Gottmer will be publishing a full range of Nosy Crow's award-winning storybook apps in Dutch. These apps first have to be translated. Van Gestel also sees the benefits of this co-production approach. Zwijsen will introduce the (educational) apps of Gallimard Jeunesse onto the Dutch market. Both Van Campen and Van Gestel consider it a good experiment that should learn whether or not they could make a profit out of these native apps.

Marketing

All interviewees consider marketing an important but neglected part of app publishing. Spierenburg thinks that the biggest production process problem is the lack of balance between technical development and marketing. Time, money, thoughts and efforts are invested in the technical production, while marketing at that point should already be an integral part of the process. During the production, they should already be considering marketing activities. 'Producing apps relates to much more than only the production,' says Spierenburg, 'because you can make a good product, but you also have to sell it.' Branding is key, according to Vegelien. He agrees with Picards' (2005) statement that with continuous creation media products, branding is most important. One of the most important things with app publishing, besides good content, is good marketing of individual apps, content and characters. Promotional activities are an ongoing process at Books2Download. This guarantees an average reach of some 50.000 potential customers, thinks Vegelien. After the app development, Books2Download uses test panels that consist of people from their target group and some professionals. Both are used for their valuable feedback, but also to become part of their "sphere of influence". It's thus also a form of marketing because, states Vegelien, 'it's your most loyal customers that shout the hardest.'

Van Campen thinks that they could and should conduct more marketing activities at Gottmer. He wins in advice regarding app marketing, from Books2Download amongst others. The beaten tracks for traditional book publishing do not apply anymore. They have to explore new ways to promote their apps. Therefore, they are experimenting with marketing actions whereby customers can win an iPad3 by collecting (=buying) the different Gottmer apps. That way, the apps promote each other. At the moment of the interview they were looking into the possibilities of online banners. Thereby, they wanted to reach a specific customer segment namely, parents with iOS devices. They decided to start a Facebook campaign, that just ended at the time of writing. Van Campen is positive about the results: during the campaign, online visits of the Gottmer website increased with

30% and app-sales increased with 50%. Besides these marketing activities, Gottmer has two free apps that serve as promotional products. Van den Herik also experienced the positive effects of marketing and promotions. When they actively promote their Piccolo Picture Books, there is an increase in sales. For promotional activities they now mostly use their traditional channels. In the near future, they want to focus more on mobile advertising and joint promotions with publishers of different iPad-apps.

'It's a challenge to make yourself stand out,' says Kustermans. Traditional media, journalists, bloggers and reviewers hereby play an important role because they should write about your products. He thinks it is important that Clavis maintains good contacts with these parties. Zwijsen doesn't invest much effort into app marketing, admits Van Gestel. Zwijsen has two free apps that are used as a marketing tool. They are deployed as promotional products and familiarize customers with the brand Maan Roos Vis. These apps so far are the most successful, with 80.000 downloads. Van Gestel thinks app-marketing is a challenge and wins in advice from third parties, like Books2Download.

The marketing department of Querido takes care of app-promotions. Faber meets with them once a week, to evaluate and come up with new promotional activities. Their advantage is their large network, with three partner-publishers. They use mailing lists, websites and databases of all four publishers, make use of the networks of their authors and illustrators and profit from their school visits. Querido also participates in fairs, generates free publicity through their own and partner networks and makes use of social media. At the moment of the interview, they were considering promotional campaigns on Facebook or Google. Not only the production but also the marketing of this relatively new product requests a lot of time and effort, says Faber. She wants to add an online marketer to the team, because she considers marketing an important part of app-production and at this moment, they do not have enough knowledge in this area.

At Appracadabra they don't have a big marketing budget and therefore are trying to promote their apps as smart and cost efficient as possible. They use their social media channels and their Kind Kids Apps Rules as a marketing tool. Schrever also want's to generate as much free publicity as possible, because of her tiny budget for promotional activities. She collaborates with children's magazines (by giving away a couple of subscriptions to readers), wants to take advantage of events like the

National Reading Days, Children's Book Week and Manuscripta. Schrever thus sees the importance of marketing activities, in order to create brand awareness.

6.1.4 Financial Block

Within the Financial block, all costs and revenues of app publishing are described. Digital publishing has obvious implications for the nature and scale of costs and revenue streams (Martin & Tian, 2010; Carreiro, 2010). The interviewed experts struggle with high development costs and some are annoyed by the iTunes App Store being their only sales channel.

Production & People

Picard (2011) claims that digital publishing leads to cost savings, while the opposite seems true. Publishers might save money on paper, printing costs and storage, but other costs relate to the graphic design, animation, and programming of apps and obtain intangible resources like employee knowledge and experience (Martin & Tian, 2010; Horne, 2012). Especially with app publishing these intangibles are an important economic resource. Publishers can either decide to develop these skills in-house or outsource to third parties.

Faber thinks it is frustrating that assumptions about cost savings are made. With digital publishing Querido might save on paper, printing and storage costs but the price for digitizing their content is huge, says Faber. Besides, digital and physical publishing don't rule each other out (Carreiro, 2010). According to Faber, the financial benefits of digital publishing are a myth. The production process is very expensive and in ratio, sales prices are relatively low. Furthermore, they have to pay Apple, authors and illustrators for their services. Faber doesn't have problems finding app designers and developers however, it is difficult to find technical staff that work on a normal hourly rate because 'seventy euro an hour is no exception,' says Faber. The largest costs relate to working hours, especially the design and animating processes are time consuming and thus costly. Paarlberg affirms this. At Appracadabra, working hours absorb almost the whole budget, because they make their own native apps from scratch. Only for the programming part they make use of an external party, and sometimes they hire a freelance illustrator. Marketing and promotion are handled internally also. Their main costs thus concern their own hours and the external technical party. At De Vier Windstreken they want to keep costs down by insourcing instead of outsourcing digital processes. Markus rather doesn't work with third parties, because of the (high) costs involved. Unfortunately, there is

no money to hire extra app savvy staff.

When making an app of an existing book, publishers have to come to an agreement with the author and illustrator first. They have to sign a contract and will receive royalties based on a percentage of the sales price. The actual production of an app is costly, especially animations, says Vegelien. Illustrations have to be cut loose digitally to animate them. Outsourcing this to a company in India would be cost effective. Books2Download, Querido and Clavis consider this option. Another major cost is the programmer, who technically builds the app. He has an hourly rate of €70,- to €100,-. According to Vegelien, only the programming of an app costs about €3000,- When making Timo and the Magical Picture Book, they knew nothing about the production and associated costs. The animator and programmer were so keen on making the app that they agreed on making it on a royalty-basis. In hindsight, Vegelien thinks that making the Timo-app cost about 20.000 Euros in hours.

Van Campen finds price differences for app production remarkable and thinks, 'it's still a bit of a "cowboy-market."' According to him, the largest cost item of app-production is the technical realization of it. Kustermans considers this a problem. Building an app needs large investments in both time and money, but the outcome is uncertain. He thinks it is frustrating that sales prices are low and that you have to pay several parties – Apple, authors, illustrators – their share. Making app production profitable is therefore a huge challenge, claims Kustermans. Hence, the Kinderboeken app is developed as a template because of the (cost) efficiency of this concept. At Querido they wanted to develop technical building blocks that could be used over and over again. They constantly are trying to find a balance between product value and cost efficiency: they aim for the highest quality possible, thereby thinking logical and practical and constantly ask questions like "Is this interactive element going to sell extra apps?" There are so many cool possibilities, says Faber 'but in the end we have to make it profitable.' Therefore, they try to use investments for multiple purposes, so they can write these off over multiple projects. Faber expects that the more they get to learn the process, the faster and more efficient they can get the job done. They profit from economies of scale and fine-tuning production processes, so things can be done more cost efficient (Morris, 2008).

The production costs of Zwijsen mostly relate to the primary costs of editing, design and programming, the latter being outsourced. The only app production costs De Vier Windstreken made so far, is the licensing fee for the two apps they bought from a German partner publisher. Markus seems skeptical about making a profit with

apps and therefore does not dare to take the risk of (large) investments. Because of the high development costs, Rikky Schrever of Boekenwolk dismissed the idea of making a book-app. Her web-based app also requires technical development costs but this is relatively cheaper. Her largest cost items relate to platform development by technical party Yindo and the interface design. She considers the technical costs a problem and even decided to invest some of her own money into the project, to accelerate the production process.

Marketing

The big problem in reaching customers is that app makers are not marketers, says Spierenburg. Within app publishing, marketing is an often-neglected area. Publishers should invest time and money to find the right communication channels, create awareness and stay in contact with their customers, states Spierenburg. Faber acknowledges this problem. That's why she wants to add an online marketer to their team. Querido should thus invest in the recruitment of new staff. Van Campen also admits that there remains only a tiny budget for marketing and promotion, after the app production. They invested in two promotional (thus free) book-apps that have been downloaded over 100.000 times. Van Campen is pleased with these results, however apps are too costly as a marketing product. Besides, Gottmer doesn't directly profit financially. According to Vegelien, marketing should be an integrated and ongoing process and expense. Vegelien doesn't count his monthly marketing-hours because that would be frustrating. Van Gestel admits that they should invest more time and money in promotional activities. All interviewees indicated the (lack of an) online marketing-budget as a problem. Some publishers (Zwijsen, De Vier Windstreken, Clavis) are still bound to their traditional channels and costs. Some (Gottmer, Querido) are experimenting with new promotional activities, like a Facebook ads campaign.

iTunes App Store

With the publishing of children's iPad apps, revenues are received through the iTunes app store. The interviewees have mixed feelings about this sales channel. On the one hand, it's a closed circuit that smartly exploits their almost monopolistic position. On other hand, it's easy to use and almost all publishers value the functional platform and download charts. However, the most important question is: are the revenues received enough to reach the break-even point? At Querido, they have not reached the break-even point yet, but did not expect to do so within such a

short period. Since January 2012 the Kinderboeken app was downloaded 23.000 times (at the time of the interview). Faber is satisfied with the results. She thinks that they developed a solid fundament that hopefully is lucrative at the end of 2012 or beginning of 2013. Gottmer quickly reached its break-even point for their paid Dikkie Dik app. It concerns Gottmer's most expensive app so far and, at the time of the interview, it is downloaded over 15.000 times since February 2011. Van Campen dared to take the risk of a big investment because it concerns a popular and well-known character. This paid off, because this Dikkie Dik app is their most successful and profitable app. Gottmer's other apps haven't reached their break-even point yet. The Piccolo Picture Books app has not reached its break-even point yet. According to Van den Herik, a payback time of two to three years is acceptable and realistic.

Van Gestel thinks that selling educative children's apps could be an integral part of their business. Maan Roos Vis Letterlegger is their most successful paid app. This was also the most costly app to produce. The app was published in December 2011 and hasn't reached its break-even point yet, but Van Gestel expects this to happen within a month. The app is priced €3.99,- and needed about 6000 downloads to reach its break-even point. The app thus cost almost €24.000,- Vegelien thinks it is difficult to make app production profitable and wonders whether it is enough for a full-fledged revenue model. Ideally, he doesn't want to publish apps, but only produce them for third parties. Publishing an app is expensive and sales prices are low: you have to sell large numbers to reach the break-even point. Clavis currently only receives revenues through the Fundels app, as a percentage of the subscription fees. Schrever doesn't believe in the profitability of apps, because of the high production costs involved. She thinks apps are the second Internet bubble.

Foreign markets & partnerships
By entering foreign markets, app publishers want to increase their sales market. Clavis aims for the world market, claims Kustermans because 'when you only focus on the Dutch market, you might as well quit.' Clavis has a large international network and will approach foreign partners to work together. According to Kustermans, the Dutch (and Belgium) market is too small for a full-fledged business model. Van Campen agrees with this. He eventually wants to make a full-fledged business of app-publishing, but thinks he might have to take their apps abroad to generate more revenue. Besides their own apps, Gottmer also is licensee of the award-winning children's apps of British publisher Nosy Crow. Van Campen sees the exploitation of foreign apps onto the Dutch market as an experiment that should

learn if Gottmer could make this a profitable business. Developing a foreign partnership whereby investments and costs can be shared would be interesting, thinks Van Campen.

Zwijsen also is to become licensee for the apps of French publisher Gallimard Jeunesse. Hereby Gallimard delivers the text and audio to be translated. Zwijsen handles and therefore finances the translations and delivers them to Gallimard. They integrate the Dutch assets in the app and subsequently, Zwijsen uploads the app in the App Store. Zwijsen thus becomes the developer for the Dutch market. Zwijsen pays a percentage of the app sales to Gallimard. Advantages for the licensor Gallimard are the extra revenues received on the initial investment of the app, and a foreign partner who knows the Dutch market and is responsible for the foreign marketing and customer service. Advantages for Zwijsen are that no initial costs have to be made, only costs of translations. They thus enjoy revenues while investments and risks are lower. A disadvantage for Gallimard is that they don't have a direct influence on the app-sales. For Zwijsen, less revenues and the lack of influence on the development and functionalities of the app could count as disadvantageous.

Another possibility for Gottmer in generating revenues is acting as licensor for the Dikkie Dik app. Van Campen thinks strong characters like Dikkie Dik could make it abroad, but expects that there are many promotional activities needed to generate the attention to make the app profitable. Faber acknowledges the same difficulties. In the near future, Querido also wants to launch the Kinderboeken app in different languages but Faber doesn't think the app will be successful immediately. She thinks it requires active promoting and someone who knows the concerning foreign markets well. At the time of the interview, the Kinderboeken app was online for three months and foreign publishers already showed interest. Appracadabra already produces apps for the foreign market, with apps available in 16 different languages. They thus have a bigger market. Paarlberg unfortunately doesn't want to reveal their download numbers and whether or not they reached their break-even point yet. Unieboek | Het Spectrum also has an international focus, with their Piccolo Picture Books available in five different languages. According to Van den Herik, the Dutch market and language area is too small to earn back the investments. For their Piccolo Picture Books app, a payback time of two to three years is acceptable but Van den Herik thinks they can reach this point earlier, because it concerns a multilingual app.

6.2 Business Model Canvas according to Experts

The expert interview results make clear that the Dutch children's app-publishing market is still an uncertain market. Children's publishers are both awaiting and searching for the 'right' approach. Some are struggling with the new paradigm of apps. Some apply a progressive approach. However, my focus was on finding corresponding challenges and themes. All experts acknowledge the importance of good content. Book publishers choose their most popular characters for their apps, thereby confirming Horne's (2012) claim to pick the most popular titles. In contrast, they also think native apps that make optimal use of media specific properties are important. However, truly native apps are harder to make when you want to turn an already existing picture book into an app. All children's publishers focus on children and their parents, but some know their customers better then others through test and focus groups. It seems difficult for publishers to get to know their new customers, especially in such an early stage of app development. Focusing on educational elements and the learning phases of a child are important, according to children's media expert Cathy Spierenburg. The iTunes App Store is both loved and hated. They consider it to be a safe environment and value the scope, image and usability of the channel. However, the fact that it is the only sales channel is seen as disadvantageous. All interviewees are active on social media, but the impression arose that some publishers are not yet grasping the opportunities that these channels can provide. All desire to enter the foreign market, but all acknowledge difficulties in reaching foreign consumers. Within the production process, all parties outsource the technical part of app development, which is also the largest cost item and biggest frustration for many publishers. The lack of knowledge in this area is considered to be the biggest problems in app production. Also, marketing activities are seen as problematic. Many publishers don't exactly know which marketing activities to conduct for digital products, and don't know which channels to use. Besides, marketing is time consuming and there is only a small marketing budget available. Most interviewees acknowledge this as a problem that they want to solve. All interviewees are optimistic and curious about the future of app publishing, but skeptic about the Dutch sales market, which is considered too small to make a profit. Hence, they all hope to extend their app activities to foreign markets, with multilingual apps or through licensing. I subdivided the interview results into themes

that are most evident within Dutch children's app publishing, which are visualized in a Business Model Canvas (Fig. 4).


PRODUCTION	**VALUE**	**CUSTOMER**
Content & Development People & Third Parties Cooperation Marketing	Qualitative, entertaining, interactive and educational content that's easy to use	Children & Parents iTunes App Store Web Communities Foreign markets

FINANCIAL

Production & People   iTunes App Store
Marketing   Foreign markets
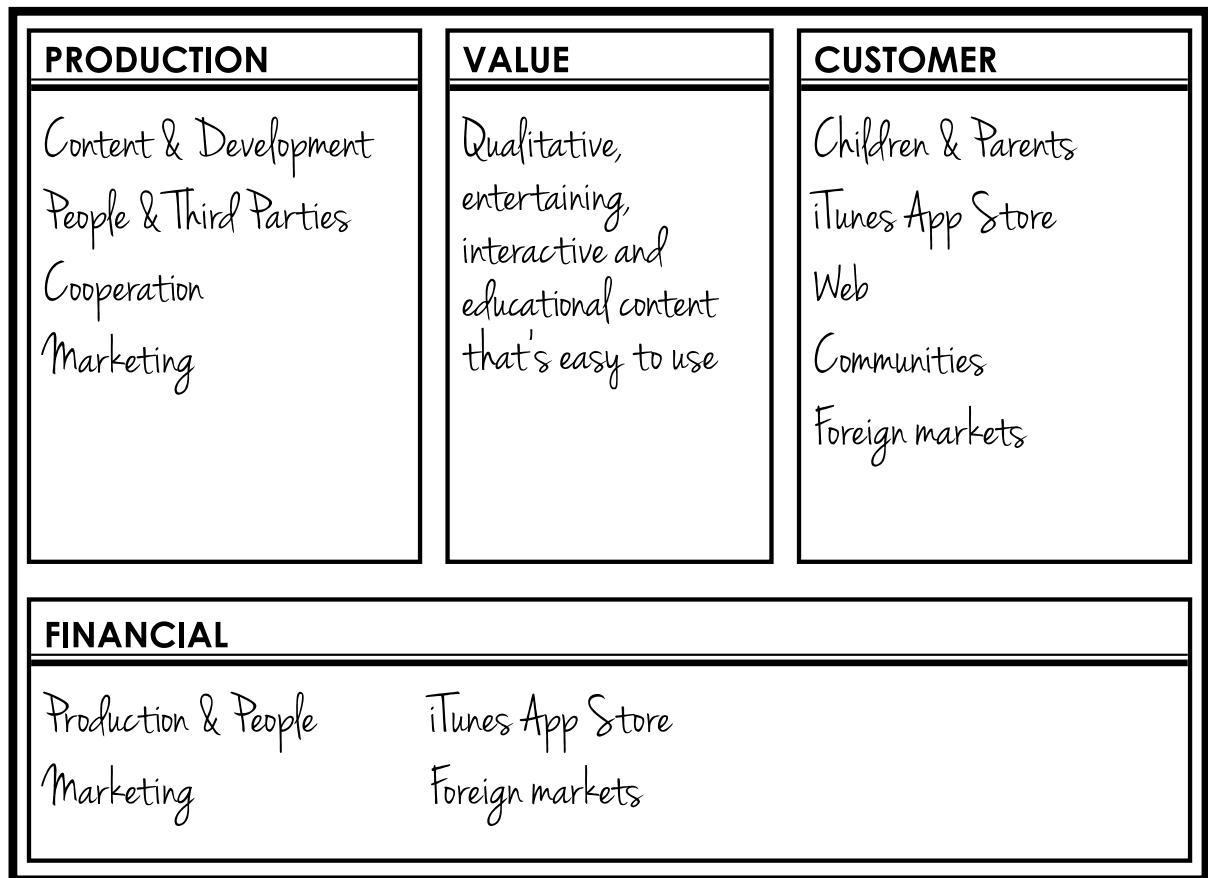
Figure 4: Business Model Canvas with most important themes within Dutch children's app publishing

6.3 Finalist-apps Building Blocks analysis

With the BolognaRagazzi Digital Award, the independent judging panel was looking for innovative, interactive features that compliment and extend children's storytelling. The finalist apps thus should learn about the changing face of storytelling for children. Warren Buckleitner, one of the judges, stresses the importance of interactivity, in the *Children's Technology Review*: *'Since (…) the first computer, we've known that interactive media has potential for bringing magic to children. But multitouch tablets, in the hands of talented children's authors, bring this potential closer to reality, and is touching every aspect of the children's publishing process. Children have new ways to interact (…) and book publishers have new tools to tell a story.'*

The main lesson of the contest according to Bruckleitner was that professionals are figuring out how to use interactive storytelling techniques. The objective – delight a child with a good story – might still be the same as a century

ago but, according to Bruckleitner, tools have never been more interesting. With the most important themes within Dutch children's app publishing as a starting point, I analyzed ten of the twenty finalist apps of the BolognaRagazzi Digital Award. Since it concerns case studies I will discuss each app individually, on the basis of the four building blocks.

6.3.1 Dans Mon Rêve

The app Dans Mon Rêve – or In My Dream in English – won the BolognaRagazzi Digital Award for best children's app. It is a twist on the traditional children's game of Heads, Bodies, Legs. Children slide the top, middle or bottom panel to create a new visual. As the image changes so too does the corresponding line of text at the bottom of the screen. The newly formed text is read aloud by the narrator. Besides the first price for the best digital app at the Bologna Ragazzi Digital Award, the app also received the Editor's Choice Award of the Children's Technology Review. An analysis of this app and the organization behind it should learn more about their business model.

With Dans Mon Rêve, e-Toiles editions offers a new way to tell stories. The participation of the child is seen as valuable: children can slide through illustrations and texts. The app veers away from linear narrative as it puts the child in charge of the story's direction. Especially little media specific extra's – touching the small moon will instill the night into the picture, swinging the iPad will make a star offer a different perspective of all things – make the app stand out. Within a photo gallery, children can save their favorite compositions. With Dans Mon Rêve, the child is able to discover many different short, funny stories and build the pictures themselves (there are more than 8000 combinations possible). The aim of e-Toiles editions was to create "original pieces of art" for the youth, readable on the iPad. Their company name – "toiles" means "paintings" in English – confirms their artistic view: their apps are "e-paintings". With their focus on a new, artistic way to tell stories, e-Toiles editions is focusing on the resonating focus value proposition, which concentrates on one or two points of difference that deliver the greatest value (Anderson, Narus & Van Rossum, 2006). Like most children's (book) apps, Dans Mon Rêve is available in the 4+ category of the iTunes App Store. The publisher, e-Toiles editions, describes the target group as children aged three and above. Their educative and interactive features should trigger the child's imagination. The app is available in both French and English and thus aims at French and English children and their parents. The descriptive text in the App Store however, is only offered in French.

This could be disadvantageous regarding the English customer segment. The app-publisher, e-Toiles editions, does have an English website however. They are not very active on social media: they have a Facebook account that is used modestly, but don't have a Twitter account. They use channels like the App Store and their website to create awareness, but are not actively strengthening their relationship with customers (Osterwalder & Pigneur, 2010).

The French app-publisher e-Toiles editions is a small and young company that visualizes and illustrates app-story concepts. Based on authentic and traditional books, with Dans Mon Reve – their first app – they want to offer an original and funny method for kids to take the first steps towards reading, by employing 'emerging digital tools full with educative and interactive features.' Stephane Kiehl is the creative brain behind Dans Mon Reve, and is an illustrator who's also authored a number of children's books. He was responsible for the texts, drawings and artistic direction of the app. For the development of their apps, e-Toiles editions work with third parties that relate to technical development and additional parties for translation, music and voice-overs. These are thus the most important costs made. E-Toiles editions receives revenue through app sales in the App Store only. The app costs €3.99. Unfortunately, it is not known if the app has reached its break-even point yet. Also, the download rate is unknown.

6.3.2 Alphabeast

The Alphabeast app is the product of a partnership of three creative people who together started Pilcrow, a publisher for apps, books and magazines. The app based on Chris Judge's picture book, featuring The Lonely Beast. The app is a spin-off of this book, but it relates to a native app since 26 interactive hand-drawn scenes featuring the Beast were made for the app. The (educational) story is about the Lonely Beast and his friends, exploring each letter of the alphabet. Both story and design work to support the letter/word associations. The illustrations and character make up for the limited interactive use of the touch capabilities.

The Alphabeast app is based on an award-winning children's book. It thus regards an already known and popular character. The team behind the app wanted to find the best way to help kids learn the alphabet and discover new words. The app focuses on both upper and lowercase letters and contains visual and audio feedback. The educational aspect is valuable, especially in combination with entertainment: 'every letter has something new to play with, because we think learning works best when kids are having fun.' They pay attention to the media specific properties by

including a 'fully operational virtual light switch', a fully playable drum and xylophone and 'lots of stuff to tap and swipe.' Hereby they want to demonstrate their 'commitment to cutting edge technology.' Valuable artistic elements relate to the 26 new hand-drawn scenes, which add to the uniqueness of the app. Also, Simon Judge composed special music.

In the App Store is described that the Alphabeast app is 'sure to trigger lots of giggles in children of all ages.' However, the app focuses on the alphabet and is thus intended for children who are learning to spell, read and write. This relates to a customer group of children from three to seven years old, and their parents. Since it has a clear educational function, it could also be used at primary schools. In communicating with their (potential) customers, they use the personal approach. They use their first names in communication with the customer, for example, and introduce themselves: 'Chris is our illustrator, Simon Judge is on audio duties and James Kelleher is taking care of code and design.' They are active on social media, especially Twitter and Facebook, and are interacting with customers, competitors and journalists or reviewers. Also, with every chance they can, they invite people to follow them. This approach proved advantageous in the first stage of app production, when they collected the funding of their app. I will come back to this point within the next blocks.

Pilcrow is a small publisher, consisting of a three-person team. The whole app was produced in-house. Chris Judge wrote and illustrated the story, Simon Judge was responsible for the audio and James Kelleher did the design and technical development of the app. At Pilcrow, creative skills, content and "commitment to cutting edge technology" come together. Accept for the voice-over, they were thus able to produce the whole app in-house. Special partners in the production of the Alphabeast app where eighty generous donors, which I will discuss below.

For the financing of their app, Pilcrow appealed to potential generous donors. They did this via the Irish website www.fundit.ie. The target amount was €3500 and, with eighty donors, they raised €3,690.23. They had special rewards for funders of the projects, depending on how much money they funded. For €5,- you got the app "for free" and received an invitation for the launch party. For €500,- you got a hand painted and signed portrait of the Lonely Beast, a set of postcards, a signed and framed limited edition Lonely Beast print, a signed book of the Lonely Beast, the app and an invitation to the launch party. They addressed the potential donors with these words: *'Your contribution will go towards the production and development costs of*

making sure the Beast finds a happy home on the App Store. If we're fully funded,
we're aiming to have the app ready for our Dublin launch party in late November.
Every contributor will be invited to the launch so we can thank you in person.' The
personal approach seemed to work. Considering the fact that they almost entirely
made the app in-house, that they received a nice start-up capital and the fact that the
app is modest in its interactivity and animations, probably resulted in the relatively
low sales price of €0,79.

6.3.3 Numberlys

The Numberlys app is produced and published by Moonbot Studios, a small but
highly creative company. Numberlys is their second native app and relates to a
digital animation. Earlier, they made the award- and Oscar-winning "The Fantastic
Flying Books of Mr. Morris Lessmore." This native app was such a success, that
they made a physical picture book of it. The Bologna Ragazzi jurors called it an
'impressive feat of animation and design' and 'one of the most sophisticated,
creative alphabet books ever made.' The Numberlys are small creatures that speak a
strange language because the alphabet has yet to be invented. Numbers dominate
their world. A couple of numbers desire something different and they start to create
letters. This is where the app gets interactive, because users are encouraged to help.

Numberlys depicts the origins of the alphabet within an interactive native
app. However focused on the alphabet, it isn't really an educational app. Numberlys
is, according to the makers, 'a story app celebration of the early fantasy epics like
King Kong, Metropolis and Flash Gordon.' Many of the cultural references will be
lost on children whereas their parents and other adults will be intrigued and amused.
The story is thus multi-layered and could appeal to both children and adults. The
value of this app thus relates to its wonderful storytelling and impressive animations.
Other valuable attributes are the craftsmanship and creativity, and hooks for social
play, so children could play together. It's like Moonbot says: 'Numberlys is huge in
scope. It's an adventure! A mystery! A game! And a story!' It's a new way to
entertain, learn and rediscover storytelling. Numberlys is going far beyond the idea
of virtual pages that have to be turned. 'It feels a little more like a film with
interactivity,' says Lampton Enochs, one of the makers, in an interview with
newspaper the Guardian. 'We've thrown page-turning completely out of the
window.'

The Nuberlys app is categorized 4+ in the App Store. However suitable for
this age, it doesn't focus on the child primarily. By referring to early fantasy epics

like King Kong, Metropolis and Flash Gorden, they focus on parents and genre-lovers, more than on children. 'It's an adult approach that treats kids with respect,' says Oldenburg. 'We're not going with simple words like 'D is for dog'' adds Oldenburg. They are active on social media like Facebook, Twitter and Blogspot. That way, customers and fans can follow their updates. Their address, phone number, mail address and visitors address are all available on their company website. Also, they have independent websites for both their apps, Morris Lessmore and Numberlys. However, they don't really speak directly to the (potential) customer. They don't address the visitors of their websites, don't ask for feedback on their apps and don't have some sort of service center.

At Moonbot, the whole app is made in-house, they don't have to work with third parties. The 22 staff members are mostly creative's: graphic designers, animators, illustrators, character designers, a programmer, authors and former film directors. A production manager and managing director look after processes. Their focus clearly is on human resources. At Moonbot, they see the iPad as a medium with grand potential, which felt like 'the invention of radio or television.' Thus, they first made the Morris Lessmore app, which became a commercial hit on the App Store. At Moonbot they were amazed, because they are creative more than commercial. They think that producing for and distributing to a worldwide public is so much easier now, due to technology. Though, the hardest part during the production process was to not give up, because they did 357 set-ups in only five days. The Numberlys app costs €4.99 in the App Store and is quite costly, compared to other (children's) apps. That might be due to high production costs. Unfortunately, the costs incurred are unknown. Revenue is received solely through the iTunes App Store but who knows, maybe they will also make a picture book out of it.

6.3.4 Another Monster at the End of This Book.

The Another Monster at the End of This Book app is an app from Sesame Workshop – also responsible for Sesame Street – and is produced by Callaway Digital Arts. It is a sequel to the best-selling Monster at the End of This Book app. In this app, Grover invents ways to prevent readers from getting closer to another monster hiding at the end of the story, but Elmo asks for your help to slip past Grover.

Obviously, of major value are the beloved and well-known Sesame Street characters. The app even contains the voices of Grover and Elmo. The app is also of educational value. It offers engaging activities that build vocabulary and spatial-relations skills. It also contains word highlighting for beginning readers. The app is

thus like the television program: both educational and entertaining. Furthermore, the story is interactive and dynamic. It's built with 'groundbreaking technology and bursting with innovative activities' woven into the story, and through intuitive finger tapping, kids can play independently. The app can be personalized by adding the child's name.

The app is available in the 4+ category and is intended for young readers. Their customer segment corresponds with the customer segment of Sesame Street. This is a major advantage. Children and parents who are already familiar with Sesame Street and their characters are more likely to download the apps. Also, there's already a firm basis for the relationship with customers, considering that they see the Sesame characters every day. Scott Chambers, Senior Vice President of Sesame Workshop, says 'this new story invites young readers on an adventure with their good friends Elmo and Grover.' Sesame Workshop and Callaway Digital Arts don't have to work that hard to reach their customer segment or build a relationship with them. Customers find them. They don't address the customer personally but are represented on social media channels like Facebook and Twitter. Callaway also values feedback and ask customers to share thoughts in a review or by emailing.

Both parties, Publisher Sesame Workshop and Callaway Digital Arts, don't offer much information about their organization and production processes. In any case, Sesame Workshop decided to make an app out of the existing physical book "Another Monster at the end of this Book" and hired Callaway Digital Arts as a third party, to develop the app. Callaway publishes innovative children's and lifestyle applications iOS devices and thus make the entire app in-house. The Another Monster at the End of This Book app is for sale in the App Store for €3.99. At this moment, revenues are only received trough the App Store, but there's a good possibility that the app will also appear in other languages. Children all around the world are familiar with Sesame Street, so exploiting the app to other countries seems like a good idea and should increase revenues. Callaway and Sesame Workshop's first app, *The Monster at the End of This Book,* debuted nearly a year ago. The app often was ranked among the top 10 book apps in the App Store. The first app was a success and must have reached its break-even point fast. Why else should the produce and publish the sequel in less than a year? The production of the app must have been costly, but with such large parties as Sesame Workshop and Callaway Digital Arts, this shouldn't have been much of a problem.

6.3.5 Bartleby's Book of Buttons Vol. 2

Monster Costume, a young and small company, created the Bartleby's Book of Buttons Volume 2 app. The native app is an addition to the Volume 1. The reader should guide Bartleby through his new quest, by pushing the buttons. Children thus participate actively and help 'making' the story. Bartleby's Book of Buttons Volume 2 relates to an already known character, but has a new story to tell. According to the makers, it offers a 'whole new way to read with your child' and is a brand new way to experience an interactive book. When you don't want to read it with your child, there's also a "read to me" voice-over. It has lots of interactive possibilities. Another valuable and differentiating aspect is that the app supports Airlay, so you can connect the iPad or iPhone to your HDTV. That way, you see the story on the TV screen but all the buttons are applicable on the iPad. Something that the makers translated from "real life" into the app is the concept of collectible stickers that readers get from achievements in the book. These stickers can be printed using an AirPrint-enabled printer and the sticker-collection can also be tweeted. This app has quite some technical extras, so parents should also be media-savvy. At Monster Costume they are committed to building the best interactive media on iOS, says Kyle Kinkade. 'The Bartleby series represents our commitment to bring the very best in interactive book apps to the App Store.'

The app is categorized 4+ in the App Store, but children in this age won't be able to apply some of the quite advanced possibilities of the app. Tweeting or printing their digital sticker collection or connecting the iPad to their HDTV might be difficult and maybe irrelevant to them. They can however read and tap through the story by themselves, and it's a fun and challenging app for children and parents to read and play together. The customer segment of Monster Costume is about to expand, with the app appearing in 16 different languages. It will be available in Brazilian, Portuguese, Dutch, French, German, Italian, Japanese, Korean, Mexican Spanish, Portuguese, Russian, Simplified Chinese, Spanish and Swedish. Monster Costume is a young and open company and passionate about what they do. This reflects on their website. Customers can send them an email but there's no contact form or telephone number available. They have a Twitter account, but are not terribly active.

Monster Costume is an "Interactive Books and Casual Game Developer" who's all about exploring what multi-touch devices have to offer. The company has a crew of twenty. Together, they want to bring "new experiences to the masses." It's

first and foremost a tech-company, founded and run by 'recognized trailblazers' in the iOS development and user experience industry. The company specializes in rich, intuitive, applications. Monster Costume conceived, designed and built the Bartleby's Book of Buttons app. No third parties were needed. They make their own apps but also produce for third parties. Their specialization and intangible resources like knowledge and experience are crucial within their production process. Their biggest 'problem' should be their own invested hours, since they built everything themselves.

The Bartleby's Book of Buttons app is available in the App Store for €2,39. Most costs of their app production should relate to the creation – illustrations, interactive design, and programming – of their app and costs of recruiting and/or training staff. Revenue is received through the App Store and will probably increase when they launch the app in 16 different languages. Considering the fact that Bartleby's Book of Buttons also has a Volume 1 – presented in 11 different languages – we can assume that the first app was a (financial) success. Why else should the produce a Volume 2, in even more languages?

6.3.6 Being Global

Being Global is an app that is based on a namesake educational children's book that has won six book industry awards. It was published by Little Pickle Press and developed by Kite Readers, a creation of SachManya. It's an interactive, multi-media, and bilingual app kit for parents and educators to teach children about the goodness in exploring, appreciating, and respecting other children's traditions, religions, and values.

A valuable aspect of the Being Global app is, that it is based on an awarded children's book. It is of educational value and teaches children about respecting other children's traditions and religions. The app thus playfully addresses the question, "what does it mean to be global?" and gives you the idea that the world would be a better place, if we all thought globally. It's an easy-to-use app with limited interactive design. The storybook is available in Read To Me and Touch & Read formats and includes word highlighting with voice narration. Fun extras include a coloring book, journal a quiz and Theme Song. Clearly, the educational app is considered the most important point of difference with alternatives. It is presented as "an educational resource for parents and teachers."

The app is available in de App Store for children from four years old, but according to the publisher the app is suitable for children from six years old. It's an

educational app that helps reading and thus aims at children from six till ten, and their parents. Also, primary schools and classroom teachers belong to the target group. The app is promoted as a great classroom activity and is available both in English and Spanish. Little Pickle Press is an educational publisher of award-winning media for children. They have been working closely with early childhood educators. Little Pickle Press engages with their customers through education and primary schools. Because their 'brand' is already known, parents are more likely to buy their app when they are looking for an educational children's app. Customers can come in contact with the publisher trough their website, newsletter and through Twitter and Facebook – they are posting every day.

The Being Global app was initiated and published by Little Pickle Press, also publisher of the eponymous book. The production of the app was outsourced to Kite Readers, which is a creation of technology company SachManya. Kite Readers seems to offer exactly the thing that many children's book publishers now are looking for. They respond to an important need, by offering the production, marketing and distribution of children's apps. They appoint the fact that children's book apps represent over 30% of the top selling apps within the App Store. Subsequently, the accentuate that building an app is challenging, because it is 'quite expensive and time consuming.' They sharply respond to the problems and challenges that are subject of this thesis, by claiming that: 'KitePress can quickly and affordably create a quality interactive, multimedia children's book app. No coding or programming is necessary – just upload your existing book assets and a few artwork images.' They seem to have developed a couple of standardized app features that they can easily integrate. Besides app production, they take care of marketing and distribution, by offering 'one of the widest distribution service in the industry for the apps' via its Kite Readers marketing network. They underline the problem that is on so many publishers' minds by saying that there are 53,000+ apps on iOS App Store just within the Books Category and 'without assistance chances of your app getting discovered are likely slim and hence a powerful app distribution is critical for your business success.' Thus, Kite Readers and KitePress can cover the whole production process for their clients.

The Being Global app is available for €1,59 in the App Store. Little Pickle Press already owned the digital rights to the story and hired an external developer for the production of the app. These are the main costs the publisher had to make. Kite Reader a standardized app-package. Books are translated into apps with little

medium specific properties: animations and interactivity are thin. The app production should not have been that costly. It's like KitePress states, 'if an app is built from scratch it is often quite expensive.' They didn't built it from scratch which made the production affordable, but the app less distinctive. Obviously, Little Pickle Press made the decision to produce a cost-driven product (Osterwalder & Pigneur, 2010).

6.3.7 Go Away, Big Green Monster

The Go Away, Big Green Monster app is produced by Night & Day Studios and is based on the popular eponymous picture book by Ed Emberley. Bright colors and an innovative design let children take control of the "scary" monster. The app has four modes: Read Along with Ed, Read Along with a friend, Sing Along, and Read Myself. Children can either have Ed Emberley himself read the book, or they can choose "a friend": a little four-year-old girl reading the lines. "Read Myself" just gives the pages for children to read at their own pace. "Sing Along" has a catchy tune with music written and performed especially for the app. While reading, children can tap the interactive parts of the monster's face. The app has a simple interface with arrows at the bottom of the screen.

Of major value is the fact that Go Away, Big Green Monster is an award-winning title that has been popular in print for years. It's truly an interactive app whereby children have to touch the monster to see him react. They 'built' the monster by giving him eyes, hair, ears, and a nose, which empowers kids to take control of the app, and of their fears (for monsters). A nice extra feature is that there are more Read Along options, with both the author or "a friend." The bright colors can help children to learn the color palette.

The app is categorized 4+ in the App Store. Night & Day Studios aim at a target group of children between 1 to 7 years old, and their parents. They reach these parents through their membership of Moms With Apps, a collaborative group of family-friendly developers seeking to promote quality apps for kids and families. Customers can easily reach the company, by visiting the website and sending an email. They're also active on Facebook and Twitter, and post daily updates. On their iTunes App Store page, they ask consumers to fill in a special feedback survey, with questions about the apps. They make good use of their iTunes page, where they also placed a link to the physical book of Go Away, Big Green Monster and were they suggest other apps by Ed Emberly and Night & Day Studios. They value customer experiences and opinions, and consider these during their app production process. Their specialization in educational software and kids' media helps to focus on and

reach their customer segments. Also, they invest in their marketing strategy. Marketing Director and Lead Business Developer Erin Rackelman makes it her goal to get apps reviewed and published. She got apps featured by Apple, the New York Times, Wired and USA Today.

Night & Day Studios creates iPhone and iPad apps for the arts, education, and entertainment. They develop their own apps with the aim to delight the imaginations of children and adults. They have created 35 apps and have more than 20 apps currently in development for the iPhone, iPad and Android. The team consists of 25 team members with backgrounds in educational software design, brand development, illustration, animation, sales, marketing, developmental psychology and creative solutions. Apps are conceived, created and produced in-house. Nat Sims, founder and Creative Director for Night & Day Studio, even wrote his master's theses about the way adults and children learn from interactive media. They thus specialize in kids' media and this should influence their production process positively. They especially benefit from intangible human resources like knowledge and experience. The Go Away, Big Green Monster app costs €2,99 in the App Store. Revenues for app are received trough the App Store. Another revenue stream they receive comes from third parties, because they also produce apps for others. The costs for Go Away, Big Green Monster relates to the managing of digital rights, royalties, the in-house production, content creation (design, animation, programming), marketing, hours and staff.

6.3.8 Bizzy Bear on the Farm

The Bizzy Bear on the Farm app is published by Nosy Crow, which is a relatively new (2010) children's book and app publisher. The app is based on the eponymous popular book series. Within the app, children can help Bizzy Bear with his list of chores to get done on the farm. It's a truly interactive app, not just reactive, because children can help Bizzy Bear pluck apples and feed the pigs. The app is both educational and enjoyable for kids.

Nosy Crow gives a full description of their value propositions for apps: *"Our apps for iPad and iPhone combine age-appropriate stories with beautiful and witty illustration, rich animation, and original music to enhance the story and get children excited about reading."* An important differentiating element is character Bizzy Bear, who is already known from the book series. Also, the play-along interactive part is seen as valuable. Children really get to help Bizzy Bear by feeding the piglets and make the horse gallop. There are two modes for reading: Read and Play or the

Read by Myself, which has no narration.

The Bizzy Bear app is categorized 4+ in the App Store, but according to Nosy Crow it aims at toddlers in the 2-4 year-old range. It's designed for toddlers and their parents and Nosy Crow states "all interactions are designed with toddlers' fine motor skills in mind." The openness of Nosy Crow towards customers – about their products, their approach and their organization – makes them a trustworthy party. They address their customers directly and communicate with them trough various channels. They have a comprehensive website with a blog, a description "about us", a contact page with (mail) address and telephone number and a customer support page. In the iTunes App Store they ask customers to leave their review on iTunes and also, they refer to their website, Facebook page and Twitter accounts. They are very active on Facebook and Twitter, with several accounts. They conduct (price) actions, for example, and keep good contacts with bloggers, reviewers and journalists. According to Kate Burns, Head of Picture Books at Nosy Crow, they don't hesitate to spend on appropriate marketing and retailer promotions. The customer is central to their strategy.

Nosy Crow makes innovative, multimedia and highly interactive apps for tablets, smart phones and other touch screen devices and state that these apps are not existing books squashed onto phones, but are specially created to 'take advantage of the devices to tell stories and provide information to children in new and engaging ways.' They have their own digital publishing team with a creative and engineering head of development and two designers, and thus are able to produce their own apps. Within their production process, they are happy to be a small company because that way 'we don't have a corporate machine we need to feed. We make all our own decisions.' This makes them flexible, fast and responsive. They have a passion about what they do and think that being happy and having fun is important 'and will make what we do better and more successful.' They are keen on (international) partnerships and – when publishing decisions are being made – they always consider the titles that will translate well. They want to be able to sell their products throughout the world.

The sales price of the Bizzy Bear on the Farm app is €2,99 in the iTunes App Store. Revenue now only flows through the App Store, but as mentioned above: Nosy Crow is keen on partnerships. Dutch publisher Gottmer is licensee of their apps and will translate and publish these apps onto the Dutch market. These partnerships with foreign publishers provide them with a new revenue model. They make apps of

book titles that are already part of their physical offer, so rights are managed easily. The app is produced in-house, so the main costs of app production are invested in time, content creation, marketing and other expenses, like salaries and ongoing investments in software. They think it's financially advantageous to be a small publishing house. According to Burns it is slightly easier for a small publisher to take some kinds of risk because 'it is easier for us to make a profit because our costs are lower than those of a big publishing company.' Unfortunately, information about the download rates of Bizzy Bear on the Farm, and whether the app reached its break-even point yet, wasn't released.

6.3.9. Bobo Explores Light

Bobo Explores Light is a native app made by Game Collage. The little robot Bobo is both guide and fellow adventurer of children, as they explore various aspects of the scientific concept of light. The app is divided into 21 light-related topics (photosynthesis, reflection and so on). Each section has an interactive element. The interactive parts and the hands-on experimentation help to build a deeper understanding of the concepts. 'If you have an 8-10 year-old telling you science is boring, buy them this app and watch them eat their words,' says The Guardian.

The Bobo Explores Light app offers a "world of Learning". The app takes fundamental science concepts for school-age children and presents these with humor. The educational part is an important part of the value proposition. This is highlighted by the fact that a team of educators edited the content: 21 in-depth topics including sunlight, lightning, photosynthesis, bioluminescence, lasers, reflection and refraction. The character, a "whimsical and witty robot", is presented as a companion to children. De design – the app's imagery, attention to detail and interactive 3D holograms – are additional elements of value.

With their apps they try to reach, entertain, and educate children in the 6-12 year-old range, says Juraj of Game Collage. They try to really engage their readers in hands-on experimentation. Supplementary videos, articles and animations are designed to meet children at whatever learning level. Also, primary schools and teachers belong to the target group, because the app presents a difficult science-subject in a fun and entertaining way. Game Collage values their interaction with customers. They speak directly to their customers, on their website and via Twitter. Customers can also subscribe to their newsletter or e-mail them in case of any questions. According to Juraj, one of the huge benefits of their small and nimble company is the immediate feedback and connection they foster with our customers

and end users. They answer every email and call out to their customers: 'If you have a question or a comment of your own, get in touch!'

For Bobo Explores Light, Game Collage created all of its content in-house, with the exception of some licensed photography and video footage. They pride themselves in the quality of their iOS apps and try to always bring the best in gaming, education, and interactive books. At Game Collage, they're fascinated with technology and programming and Juraj, the founder of Game Collage, worked as a software developer for Microsoft for several years. They know, own and love the production process of apps that so many other companies struggle with. According to Juraj, the actual app development has generally been the most time and resource intensive component. That, within the production process, is the biggest challenge according to him.

With a sales price of €3,99 in the App Store, Bobo Explores Light is on the pricey side, but according to several reviewers the app is more than worth it. Apps4Kids.net said the "Jaw-dropping interface (is) simply an astonishing app, worth every penny." All resources needed for the production of the app – the story, the character, the illustrations, texts, design, programming skills, computers – all available in-house at Game Collage. According to Juraj, the invested time is the largest cost center during app production. Unfortunately, it's unknown if Bobo Explores Light reached it's break-even point yet. The answer to this question was as follows: 'We believe Bobo Explores Light has many more years of delighting kids around the world ahead of it.'

6.3.10 Stella and Sam Storypack

The app Stella and Sam Storypack is based on the television show and the bestselling picture book series by Marie-Louise Gay, and produced by zinc Roe who specializes in new media for kids. In the Storypack app, five Stella and Sam stories – also independently available – are integrated. It's thus some sort of "omnibus-app". Stella and Sam take readers on an adventure. The five stories, games actually, are simple and suited to young first-users. A first valuable element is that the characters are already well known because of both the picture book series and the television show. Furthermore, the app is well-animated and details in animation and sounds – like the popping of bubbles – involve children in the experience. Zinc Roe captures the value of the app in two sentences: 'each adventure app combines animations and games to tell a story. They're entertaining and intuitive for preschoolers to watch and play.'

Like the other apps, Stella and Sam Storypack is available in the 4+ category.

This corresponds for a large part with their customer segment of toddlers and their parents. The specialization of zinc Roe in educational and kids media results in their good insights and responding to the customer segment. Besides, zinc Roe is a member of the aforementioned collaborative group Moms with Apps. They consequently focus on family-friendly apps. They currently aim at customers in the English or French language area. Since the Stella and Sam books have been translated into fifteen languages, there's a good possibility that the related apps will also be translated. With a special Stella and Sam website, they're addressing their target group. Customers can subscribe to the newsletter, seek technical support, leave comments, connect with zinc Roe on Facebook, follow them on Twitter or subscribe to their YouTube channel. For zinc Roe the customer is an integral part of their business, because 'we reach our audience through activities that invite them to create, explore and participate.'

Zinc Roe is an award-winning studio specializing in creating media for kids and youth. The have an experienced staff of fourteen and provide services ranging from interface design, back end programming, and game design to user testing and consulting. They are able to create apps in-house and aren't bound to third parties for app-development. Good, qualitative programming and graphic design are important to them and therefore, they apply the same principles of efficiency, simplicity, portability, and usability during their production process. They think it's an advantage to be a small, flexible organization and add: 'attention to detail and a commitment to effective use of technology are our strengths.' In addition to their in-house team of programmers and designers, zinc Roe has a strong network of illustrators, musicians, writers and content experts.

With a sales price of €5,49, Stella and Sam Storypack is quite costly. It's a very clever app-concept though, uniting five already available digital products within a new app-product. That way, previously incurred costs can be depreciated over multiple projects. Further costs relate to the managing of digital rights, royalties and in-house app-production and marketing. Revenues might increase when the app appears in multiple languages, which is likely to happen. Zinc Roe also received funding. In 2011 they received an unknown amount of funding of the Bell Broadcast, in the genre 'kids'. In addition, they also received an amount of $1911,- CAD (€1493,68) from the New Media Fund, in the genre 'Childrens & Youth'.

6.4 Finalist-apps Business Model Canvas

The case studies of the ten finalist apps learn that successful app publishing for children according to the BolognaRagazzi Digital Award jury lies in artistic and interactive apps with beautiful illustrations and animations. Also, 'edutainment' seems to play an important role, like real participation. Most of the analyzed apps however, have an all benefits value proposition whereby simply all benefits of the app are listed (Anderson, Narus & Van Rossum, 2006). However, the winning app Dans mon Rêve focused on a resonating focus value proposition by emphasizing the two points of difference that deliver the greatest value to target customers: non-linear storytelling and an artistic approach. Furthermore, most finalist apps make use of media specific properties and seem to answer to the new paradigm of narrative children's apps. All app publishers clearly focus on young children and their parents. Since many apps are "edutaining" to young children, teachers and primary schools also belong to the target group. Besides, the finalist apps seem to focus on families more, by underlining the "play and read together" possibilities of the apps. The concerning parties almost all have a customer central focus. This shows on their websites and various social media channels. Most app publishers make more of an effort to really communicate with customers, and openness of communication is characteristic. Nosy Crow, for example, has a comprehensive website with information about the company and team members, and a blog. Pilcrow introduces its team members on the website and even funded their app with money they received from donors. Zinc Roe and Night & Day Studios are associated with Moms with Apps, an organization that values "family-friendly" apps. This customer centric approach might be due to the fact that most of them concern small, young and flexible companies. This is one of the most striking findings: eight of these ten finalist apps were made by small app-savvy companies, who most of the time don't have a background in book publishing. Their apps are made in-house, knowledge and experience are their most important assets and staff and invested time their most important costs. Whether the investments pay off financially and if these apps reached their break-even point yet is unknown. Unfortunately, none of the concerning app publishers was willing to disclose this information. I subdivided the case study results into themes that are most evident within the analyzed BolognaRagazzi finalist apps. These themes are visualized in the Business Model Canvas bellow (Fig. 5).

PRODUCTION	VALUE	CUSTOMER
Content & Development	Edutaining, interactive and artistic original content that's challenging and triggers participation	Children & Parents
In-house		Teachers
Flexible teams		iTunes App Store
Focus on experience & knowledge		Web & Communities
Marketing		Foreign markets
		Customer central focus

FINANCIAL		
production	iTunes App Store	foreign markets
people	licensing	alternative funding
marketing		

Figure 5: Business Model Canvas with most important themes within building blocks of ten BolognaRagazzi finalist apps for children.

6.5 Conclusion

Concluding this chapter, what can be said about the comparison of the "Dutch children's publishing Canvas" with the "BolognaRagazzi Finalist-app Canvas"? When looking at the Value, Customer, Production and Financial block, differences in the Value and Production block are most evident. As I pointed out above, the Dutch children's app-publishing market is still an uncertain market. Especially children's book publishers are struggling with grasping the new paradigm. This is very understandable, since they built their whole business on books. In contrast, eight of the ten analyzed finalist apps are made by small, flexible and tech-savvy companies. They are better able to treat apps as apps. This especially shows in interactive elements, which are most often capable of actively engaging children while supporting the narrative. Cathy Spierenburg of Mediasmarties stresses the importance of interactivity and participation. Also, with their Kind Kids Apps Rules, Appracadabra pledge to make native and interactive apps. Dutch children's publishers all acknowledge the importance of interactivity and all claim to have the

desire and intention to make native apps. However, they seem to be counteracted by the history and established processes of their own organizations. They simply don't have enough knowledge and experience with digitization, animations and programming. All interviewees consider this the biggest problem within app publishing. App producers behind the finalist apps precisely exist *because* of their knowledge and experience in this area. Dutch children's publishers can choose to develop these skills – like Querido is doing – or they can choose to stay as lean and flexible as possible, by outsourcing these activities – like Gottmer and Zwijsen are doing. Clearly, Dutch children's publishers have to make a deliberate decision. In the final chapter of this thesis, I will provide them with the elements that could create a successful business model for narrative children's iPad apps.

7. Conclusion: Building Blocks for Building Apps

The objective of this thesis was to explore which products and services could cater to the requirements of the customer segments of children's book publishers, and how. Because of digitization and app technology, customer needs change. The e-publishing revolution took flight with the e-book and, for now, is arrived at the app. Today's children grow up with multimedia and therefore prefer their media from an interactive screen (Prensky, 2001; Learmonth 2010). Furthermore, changes in audience needs bring new competition to the market. This should be the impetus for change in the publishing industry (Picard, 2003). The iPad offers opportunities, but how can Dutch children's book publishers grasp these? They can by innovating their business models. A business model within this thesis is defined as the rationale of how an organization creates, delivers and captures value. It is the blueprint for a strategy to be implemented (Osterwalder & Pigneur, 2010). This blueprint was the starting point for my research. The Business Model Canvas visualizes the construction of an organization with nine building blocks (Osterwalder & Pigneur, 2010). For my research, I subdivided these into the four broader blocks Value, Customer, Production and Financial. With the Business Model Canvas as a tool and the results of my literary and exploratory research, I should be able to answer the questions that I started this thesis with.

How can Dutch children's publishers create and deliver value with narrative children's iPad apps? All parties involved value good content, but "good" is a subjective and "content" a very broad concept. With a paradigm change, as is the case with book-apps, the content doesn't necessarily changes, but the approach and processing of it do. Not surprisingly, both authors and experts point to valuable content-elements that are most common in book publishing, like popular characters, beautiful illustrations and storytelling (Horne, 2012; Anthoney, Royle & Johnson, 2000). While these elements are still important, it is significant to look at the valuable elements that are completely new within storytelling and are characteristic for this new digital product. This naturally concerns interactivity. This characteristic is also appointed valuable by both authors (Prensky, 2001; Learmonth, 2010; Horne, 2012), experts and finalist app-publishers. All interviewees describe interactivity as a valuable characteristic of apps. However, most of the interviewed parties decided to enhance their apps modestly. Higher production costs are an argument, but another argument was that interactive elements should not distract the child too much

because 'the story should be central.' The finalist apps show that interactivity and storytelling don't rule each other out. In fact, they can enhance each other *and* engage the child. Interactivity is thus considered to be the main value proposition of narrative apps. Entertaining and educational elements are of additional value. Dutch experts see these as two separate characteristics, while the finalist apps are often "edutaining". The Numberlys app of Moonbot Studios is a good example of an interactive app that combines entertainment, storytelling and educational aspects. To offer the needed value to customers, children's publishers should do more than just experiment and approach the app as an app. Therefore, we should loose the term "book-app"! Apps can have gaming elements or narrative elements, but should always be interactive. Children's publishers should decide for themselves what additional value they want to offer. They should, however, focus on points of difference with other apps (Anthoney, Royle & Johnson, 2000).

How can Dutch children's publishers best define and reach their customer segments with narrative children's iPad apps? Customer segmentation is one of the most important concepts, because it enables firms to target and understand customers (Blocker & Flint, 2007). However, Dutch children's publishers define their customer segments as "anyone who is interested". While revenues might be the first thing on publishers' minds, customers are a lot more valuable to a company when they know them better. Focus groups have to be found useful in getting to know the customer (Anthoney, Royle & Johnson, 2000). Books2Download works with focus groups and acknowledges that these participants are the most loyal customers. Besides loyalty, publishers could learn something. They seem to struggle with the new paradigm, while young children see apps as apps. Van den Herik of Unieboek | Het Spectrum affirms that it is difficult to make assumptions about what the customer wants. Why make assumptions? With focus and test groups, and trough interaction, publishers should be able to define their target group. Websites and social media like Facebook and Twitter can play an important role, but some Dutch children's publishers are not yet grasping the opportunities that these channels can provide. Pilcrow, publisher of the Alphabeast app, produced their entire app with the funding from donors. They were able to do so, because they spoke directly to their customer segment, trough their website and social media. These channels are not only important and effective ways in making yourself noticeable and becoming involved, but also allow direct interaction with customers. Besides, they make up for

the poor visibility in the App Store. Focus groups and interaction through social media are currently the best and most efficient ways to define and reach customers.

What can Dutch children's publishers change within their production process, in order to adapt to the production of narrative children's iPad apps? Within the production process, there should always be a striving for (more) efficiency. According to Anthoney, Royle and Johnson (2000) organizations should be leaner, more flexible and should make use of outsourced staff more often. The case study results confirm this statement: only two of the finalist app-producers are 'traditional' book publishers. The other app publishers concern young, flexible and digital-savvy companies, with a passion for technology. Their apps are made in-house, knowledge and experience are their most important assets. This contrasts sharply with Dutch children's publishers. Most of them outsource app production. Publishers can't just change their current processes and thus have to find out which methods best fit their organization. There seem to be three different approaches. Young, flexible and app-savvy companies like KiteReaders, Night & Day Studios, Game Collage but also Dutch Books2Download and Appracadabra, who are able to make apps in-house, thereby investing mainly in intangible human resources and keeping expenses relatively low. They also could profit financially from the possibility to produce apps for other parties. Another option for traditional book publishers is to outsource their app production, like Clavis and Zwijsen are doing. Cooperation is an additional option. This seems to be a valuable solution for traditional publishers with larger organizations. They could either form a partnership in app production, like WPG is currently doing with its Kinderboeken app. That way, they are saving costs and sharing revenues. Or they could become a licensee of already existing apps. Gottmer and Zwijsen are experimenting with this approach. It reduces production costs while revenues are received. Flexible, experienced companies have (financial) advantages, but traditional publishers have the budget to buy innovation, flexibility and new techniques: ingredients within the production process that seem crucial for success.

What possibilities do Dutch children's publishers have in reducing costs and maximizing revenue for narrative children's iPad apps? With the digitization of content, both resources and costs incurred change. Picards' (2011) claim that the simplification of production processes result in cost-saving effects, do not apply to app production. Dutch children's publishers consider the high app production costs the biggest problem. Most app publishers described in the case studies however, have

an advantage, because they are able to develop the apps themselves. Economies of scale and improvement of processes could reduce costs in the longer-term, but this doesn't guarantee financial success. Revenues flow through the iTunes App Store only, app prices are low, and visibility in the App Store is poor. Besides, the Dutch market is limited and therefore, most publishers are skeptical about making app production profitable. All interviewees desire to enter the foreign market, but all acknowledge difficulties in reaching foreign consumers. They seem to be stuck in a vicious circle. They can save costs by producing apps in-house, but first they have to invest in recruiting experienced staff. They can maximize their revenues by entering the foreign market, but this needs foreign partners and/or investments in marketing activities. Publishers should find out what is more cost effective for them: recruit new staff or outsource (technical) activities. There is not one simple answer that tells how to make apps more profitable. This depends on the concerning organizations. Small publishers profit from being flexible and having lower production costs. Traditional publishers, who have a longer history and larger international network, should profit from their own assets. They should cooperate with international partners and profit from a collaborative revenue model, like Zwijsen and Gottmer (Osterwalder & Pigneur, 2010). Where small and young companies profit from their flexibility, technological knowledge and 'open' approach that is focused on interaction with customers, traditional and larger children's publishers should profit from their larger budgets. They should invest in online marketing activities. Both Gottmer and Unieboek | Het Spectrum experienced the positive effects of online campaigns. Furthermore, they should change the paradigm of their profit and loss account. Some of the finalist app-publishers showed, by finding new funding, that approaching the financial part of business differently can be very profitable.

I conclude this thesis with an answer to my main question. **How can Dutch children's publishers create a successful business model for narrative children's iPad apps?** Children's publishers can create a successful business model for narrative children's iPad apps by first approaching the app as a new medium, with new properties and new value for customers. Interactivity should be a starting-point, not a nice extra. Furthermore, publishers should start to take their customers seriously, by interacting with them in various ways. Osterwalder & Pigneur (2010) already said it, but both the value proposition and customer segments should be central to a business model. Most interviewed experts showed that often it is the other way around. Making app production profitable in these early phase of app

technology is difficult. But publishers that don't adapt to the new situation and new technologies, risk being run over by new, young and app-savvy businesses like those behind the BolognaRagazzi finalist apps. Because they are eager and passionate about this new product, and have the skills needed to develop it. There are various possibilities for children's publishers to adapt. They can explore these possibilities by reviewing and innovating their business model for children's app publishing.

7.1 Successful Business Model Elements

Earlier I sketched out both a "Dutch children's publishing Canvas" and "BolognaRagazzi Finalist-app Canvas" based on my exploratory research. I merged these canvasses and marked similarities and differences. Similarities are marked blue, important elements of the finalist apps are marked red and evident themes within current Dutch children's app publishing are marked green. All themes are visualized in the Business Model Canvas bellow (Fig. 6).

PRODUCTION	VALUE	CUSTOMER
content & development	interactive	children & parents
marketing	entertainment	app store
in-house	educational	web
flexible teams	artistic	communities
focus on experience & knowledge	original	foreign markets
people	challenging	teachers
third parties	participation	customer central focus
cooperation	qualitative	
	easy to use	

FINANCIAL

|		
production	app store	alternative funding
people	foreign markets	
marketing	licensing	

Figure 6: Business Model Canvas with similarities and differences between the most important themes within the building blocks of BolognaRagazzi finalist apps and Dutch children's publishers.

7.2 Discussion

This thesis focused on business model innovation in Dutch children's publishing, and how children's publishers can get the building blocks of their business model "app-prepped". Several study limitations occurred while researching. These limitations introduce opportunities for further research. To see how current business models are constructed, this thesis draws heavily on the business model concept and Business Model Canvas, introduced by Osterwalder and Pigneur. Reviewing the building blocks of Dutch children's publishers proved useful, but it is striking that many lack an actual business model for app publishing. Also, many have a wrong conception of the business model definition. Like Martin and Tian already pointed out, many confuse the business model with the revenue model. This partially explains the inadequate customer focus of most interviewees. Because the app market is such a new one, many app publishers are still experimenting. Most of them introduced their first apps in the passed year and don't even know yet if these apps will reach their break-even point. This makes the subject interesting for further exploration. It would be interesting, for example, to investigate why some children's apps have reached their break-even point and why others did not. Because the expert interview results also showed a struggle with the new paradigm of apps, it would also be interesting to examine the development of this new paradigm. Furthermore, this thesis took ten finalist-apps of the BolognaRagazzi Digital Awards as case study topic. Unfortunately, the parties concerned did not want to provide me with information about their download rates, production costs and whether or not their apps reached their break-even point. Therefore, it would be interesting to analyze the most downloaded children's apps in the iTunes App Store worldwide, because you can assume that these concern financially successful children's apps. It is unknown however, if Apple provides this information. This thesis did not address the value proposition concept from the customer viewpoint. It could be appealing to investigate what children actually consider to be the "best" apps, and why. This could provide children's publishers with valuable information about their customer segments. Because the current experience of Dutch children's publishers with app publishing is thin, like the current academic literature about iPad apps and app-development.

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Appendix A – Topic list for semi structured expert interviews

- How long does the publisher exist?
- What is the size of the company? How many employees?
- How is the company build up? Which departments?
- What are the value propositions in publishing? And in app publishing?
- What does the customer segment look like?
- Since when is the digital publishing part of the publishing activities?
- What digital products does the publisher provide? For which devices? Why?
- Does the publisher produce 'native' apps? Does it turn existing picture books into apps? Or both?
- How is decided which stories are digitized?
- Which app is the most successful so far? Why?
- Which app had the highest production costs? Why?
- What is considered the most difficult part within the production process? Why?
- Why do customers buy apps?
- Which customers buy the apps? Why are apps valuable to them?
- What relationship does the publisher have with their customers? Through which channels? Does the publisher conduct customer research?
- Which sales channels does the publisher have for their book-apps?
- How are app resources received?
- Are apps made in-house? If so, which department and how many people are responsible for this process? If not, who makes the app?
- What does the app production process looks like? Which resources are needed?
- What is considered the biggest problem within the production process? Why?
- What are the biggest costs within the production process? Why?
- Which activities are needed for the app production?
- Which partners are needed for the app production?
- Which costs are made within app production? What is the largest cost item? How does the publisher safe costs?
- What, which publisher, is considered an example in app publishing?
- Is the current market considered large enough for a full fledged revenue model for apps?
- When is an app successful?
- Is the publisher familiar with the BolognaRagazzi Award?

Appendix B – Topic list for ten case studies

- What are valuable elements of the app?
- What does the publisher appoint as valuable elements?
- Does it concern a native app?
- Is the app interactive?
- Does it have educational elements?
- Is the app easy to use for children?
- Which information is provided on their iTunes App Store page?
- Which information is provided on their website about the app?
- Does the publisher describe its customer segment?
- How does it address its customers?
- How do they communicate with their customer segments?
- Website and social media?
- Marketing activities conducted?
- What does the organization looks like?
- Do they develop the app in-house or is the production outsourced?
- Which third parties are needed?
- What is considered the biggest problem in app production?
- Do they cooperate with third parties?
- How is the app promoted?
- What are the most important costs made?
- What is the largest cost item?
- What is the app sales price?
- How many downloads does the app has?
- Has it reached its break-even point?

Appendix C – Canvasses of finalist apps

APP: DANS MON REVE

PRODUCTION	VALUE	CUSTOMER
• illustrations & artistic direction in-house • third parties for development	• non-linear storytelling • artistic • interactive	• 3+ • educational • French & English • App Store • Facebook

FINANCIAL

• - 3.99	• - own hours
• - iTunes	• - third parties
•	

APP: GO AWAY, BIG GREEN MONSTER

PRODUCTION	VALUE	CUSTOMER
• in-house • experienced staff • team of 25 • young & flexible	• interactive • popular book • simple interface • colors • read along with friend	• children • 1 – 7 • parents • moms with apps • active on Facebook & Twitter • specialize in education software • marketing savvy

FINANCIAL

• own hours	• marketing	• apps for others
• own people	• 2.99	

APP: ALPHABEAST

PRODUCTION	VALUE	CUSTOMER
• small & flexible team • young • in-house	• award winning book • popular character • edutainment • special music & illustrations • interactive	• 3 – 7 • parents • primary schools • personal communication • Twitter & Facebook • Interaction

FINANCIAL

• own hours	• E3.690.23
• 80 donors	• E0.79

APP: ANOTHER MONSTER

PRODUCTION	VALUE	CUSTOMER
• joint effort • in-house at Callaway Digital Arts	• well-known characters • edutainment • interactive	• 4+ • children and their parents • same segment as tv-program • Facebook & Twitter • not really interacting

FINANCIAL

• 3.99
• Licensing or foreign markets?

APP: BARTLEBY'S BOOK OF BUTTONS 2

PRODUCTION	VALUE	CUSTOMER
• team of 20 • small & flexible • technical team • in-house	• Native & interactive • participation • HDTV • Achievements • Play together	• media savvy children (4+) • children and their parents • Twitter • Personal and open approach online • 16 languages

FINANCIAL

• people	• 2.39
• hours	• foreign markets

APP: BIZZY BEAR ON THE FARM

PRODUCTION	VALUE	CUSTOMER
• in-house • small & flexible company • value (international) partnerships	• known character • edutainment • interactive • age-appropriate • illustrations • rich animations	• children • 2 – 4 • parents • customer central • openness • web & blog • Facebook & Twitter • Price actions

FINANCIAL

• 2.99	• own people & hours	• break even?
• licensor	• international focus	

APP: BOBO EXPLORES LIGHT

PRODUCTION	VALUE	CUSTOMER
• in-house	• native & interactive	• children
• small & flexible company	• educational/	• 6 – 12
• value (international)	edutainment	• parents
partnerships	• funny character	• P
		• participation
		• learning phases important
		• primary schools
		• Twitter
		• interaction online

FINANCIAL

• - own hours	• - 3.99
• - own people	

APP: BEING GLOBAL

PRODUCTION	VALUE	CUSTOMER
• outsourced to Kite	• awarded book	• children
Readers	• educational	• 6 – 10
• standardized process	• easy-to-use	• parents & teachers
• simple book-apps	• known brand	• active online
• marketing	• modestly interactive	• Facebook & Twitter
		• learning phases important
		• English & Spanish

FINANCIAL

• 1.59	• cost-driven product
• third party	• foreign markets?

APP: NUMBERLYS

PRODUCTION	VALUE	CUSTOMER
• in-house	• artistic	• 4+
• team of 22	• interactive	• parents and adults
• creative more than	• storytelling	• social media & blog
commercial	• animations	• several websites
• animations time	• native	• not really interacting
consuming		

FINANCIAL

• 4.99	• own people
• own hours	• revenue from possible physical book?

APP: STELLA AND SAM STORYPACK

PRODUCTION	VALUE	CUSTOMER
• team of 14	• known characters	• children, 4+
• experienced staff	(book & TV)	• parents
• in-house	• animations	• moms with apps
• small & flexible	• watch & play	• family-friendly
	• edutainment	• English & French
		• interaction online
		• Facebook, Twitter &
		YouTube

FINANCIAL

• 5.49	• own hours	• Foreign markets?
• costs over multiple	• own people	
projects	• received funding	

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