

# INSTINCT, INPUT AND INSIGHT: Reader-centricity in publishing

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COPYRIGHT AGENCY PUBLISHER FELLOWSHIP REPORT 2019

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## INTRODUCTION

*'The great catch of marketing is that the minute you start getting paid to work for a company, or product, or service, it is impossible to see that product the way the customer sees it. And the first law of marketing, if you will, is to recognise that, and to realise that you will never see that product the way the customer sees it ever again.'*

Mark Ritson

The classic questions asked in business strategy are 'Where do we play?' and 'How do we win?' For publishers the answers to those questions have become a lot more complicated over the last decade. In order to stay relevant and viable, the publishing industry, like every other, needs to really understand its consumers' wants and needs. That means determining how readers find out about books, how they use books and how, when, where and why they are buying books. It also means finding out which readers to pursue and how to direct books to them (where do we play?), and then determining how to offer them the book product in a way that matches their desires and behaviours (how do we win?).

This industry research project reports on the following:

- How publishers are developing a more detailed understanding of their customers by collating and analysing data.
- How publishers and other creative/content industries accrue, organise and use customer information to know what readers/consumers really want.
- How publishers and other creative/content industries are using market research to inform business decisions.
- How publishers and other creative/content industries are shifting their business focus from the product (book) to the customer (reader).
- How publishers and other creative/content industries are developing Customer Relationship Management (CRM) strategies, platforms and programs.
- How publishers and other creative/content industries are using consumer data and insight in conjunction with creativity, experience and intuition to bring their books/product to market.

The information contained in this report is a mixture of research and interviews I conducted via phone, email and in person. It is limited in scope. I did not speak to any authors, editors/publishers, agents, booksellers or retailers – all indispensable sources of consumer insight. My interviews were with marketers, consumer insight professionals, executives at

the major trade publishers and industry consultants. There were a lot of other people I could have spoken to, and many of my interviewees helpfully recommended more, but I could only process and assimilate a certain amount of information in the time and word count I was working with. I've provided a list of all the interviewees and a reading list at the end.

Due to the fact that this report is publicly available and I work for a major publisher, there were concerns about confidentiality and propriety information. Wherever possible, I have anonymised sources and kept to a top-level, strategic overview, rather than going into tactics and specific tools and platforms.

I have used Netflix as a company to compare and contrast with throughout. As a business it is and isn't comparable to a publisher (for reasons I hopefully elucidate), but it is a content business built on creativity *and* data, that combines deep insight about its customers with an equally deep respect (and huge artistic freedom) for creators and employees, and the talent, instinct and intuition that they bring to their work. It is also a company that privileges and rewards transparency, initiative and innovation and has a very clear idea of its mission, values and culture. I would encourage everyone to read its [culture policy](#) which, brilliantly, ends with this quote from Antoine de Saint-Exupéry:

*If you want to build a ship,  
don't drum up the people  
to gather wood, divide the  
work, and give orders.*

*Instead, teach them to yearn  
for the vast and endless sea.*

## BACKGROUND

Trade publishers acquire, create, manufacture and distribute books, but do not retail them directly to consumers (at least not in a way that competes directly with their retail partners). Publishing is a business to business to consumer (B2B2C) business – selling its product to retailers that then sell it direct to the customer. Book publishing companies are not vertically integrated – they don't control the whole value chain and have no unified view of customers and their path to purchase; it is the retailers who hold the data on who buys books.

But publishing is also a business to consumer (B2C) business, because it markets its product to the end customer. As with other entertainment businesses, although publishers' data, consumer insight and CRM capabilities are becoming more sophisticated, many decisions are still made on instinct and experience. In their book, *Streaming, Sharing,*

*Stealing: Big Data and the Future of Entertainment*, Michael D. Smith and Rahul Telang sum up the situation:

In the absence of detailed customer data, the creative industries have made decisions about what content to produce by combining aggregate statistics (such as Nielsen statistics) with data from small samples (such as focus groups) and 'gut feel' on the part of individuals within the industries who understand the market. The result of all this is that most entertainment firms have relatively little institutional strength or political capital associated with data analytics, particularly compared to the institutional capital they have invested in 'gut feel' decision-making.

According to Smith and Telang, in the past publishers and other entertainment companies successfully controlled access to promotion and distribution channels, managed the technical and financial resources necessary to create content, and developed business models that allowed them to determine how, when, and in what format consumers were able to access content. Scale allowed them to do two things very effectively: manage the cost and risk of bringing new content to market, and retain tight control over both the upstream and downstream ends of the supply chain.

Technological change has disrupted this business model and the intermediaries publishers have used to reach readers in the past. Four recent factors make it essential that the industry becomes more customer oriented. The first is competition for consumers' attention – the proliferation of content and other forms of entertainment is an issue for publishers around the world and a challenge to our business. There is increased competition for share of mind and wallet from a host of other sources of content media. In his book *The Content Machine* Michael Bhaskar says, 'In the informational economy, demands on consumers' attention, time and money are more prevalent than ever. Convergence means publishers compete across the entire spectrum of media attention.' The scarce resource now is audience attention, and the power of digital distributors and digital entertainment platforms such as Netflix, Amazon, YouTube, Spotify and others lies in having the data to manage and direct this attention. As Bharat Ananad states in his book *The Content Trap*:

Anyone can supply and distribute content today. This is often lauded as the 'democratization of media'. But it creates a colossal problem for any organization: the proliferation of alternatives and product clutter ... today more than 300,000 books are released every year by traditional US publishers – and more than one million are released by non-traditional ones, many as self-published books ... it's a strategic and marketing nightmare to even make consumers aware of what you're

producing. Let's call this 'the problem of getting noticed.' [The other is 'the problem of getting paid'.]

The second factor is disintermediation (reduction in the use of intermediaries between producers and consumers). Technology has made it increasingly easy for authors to publish and promote their books directly to consumers, cutting out the need for the publisher intermediary. As Bhaskar says, 'We live in the age of "the artist as entrepreneur" with collapsing distribution channels, the growth of promotional and monetisation tools and a generation of creatives willing to run their own affairs. We are in the age of disintermediation.'

Smith and Telang:

Technological change – in the form of long-tail markets, digital piracy, artists' increased control over content creation and distribution, the increased power of distributors, and the rise of data-driven marketing – presents the entertainment industries with a set of threats ... And ultimately there is an even greater threat: new distributors that play increasingly active roles in the creation of entertainment content and that control customer attention and customer data, two increasingly important sources of market power.

The most obvious example of this for publishers is Amazon. [This article](#) calls Amazon Publishing 'a triumph of vertical engineering', and its recent signing of Dean Koontz for a five-book deal demonstrates that it is still serious about owning the entire publishing value chain.

Distribution platforms such as Amazon, Netflix and Spotify bring together masses of content, learn consumers' preferences, and recommend specialised material directly to consumers. Publishers aren't well positioned to exploit that opportunity with our legacy business model. As industry commentator Mike Shatzkin succinctly put it to me, 'Change strands the incumbents. That is the reality.' A senior music industry executive I spoke to off the record confirmed that his industry has the same issues: 'We are competing with players in the market place that we didn't typically consider direct competition. We used to compete against other labels. But now we're also competing against the distributors themselves for the ability to provide services to artists that we used to provide. They are trying to disintermediate us.'

'I think we, as an industry, do a lot of talking,' Madeline McIntosh, then Random House's President of Sales, Operations, and Digital, said in 2010 (quoted in *Streaming, Sharing, Stealing*). 'We expect to have open dialogue. It's a culture of lunches. Amazon doesn't play in that culture. [It has] an incredible discipline of answering questions by looking at

the math, looking at the numbers, looking at the data ... That's a pretty big culture clash with the word-and-persuasion-driven lunch culture, the author-oriented culture.'

The third factor that makes it essential publishers become more consumer focused is that the intermediary structure they have traditionally relied on is changing. Retail is changing. We are very lucky in Australia to have a diverse and robust retail network that is not too dominated by one player. In the US, however, Amazon reportedly accounts for half of publishers' sales, and online accounts for more than 60 per cent of sales. In the words of Mike Shatzkin, 'alternative sales channels are atrophying'. Media is changing. Traditional media is declining and the media in general is fragmenting and atomising. As Carolyn Reidy, CEO of Simon & Schuster US, said to me, 'Old mainstream media is still the most effective seller of books.' But old mainstream media has been disrupted and traditional review and publicity channels for books are shrinking. Therefore, direct contact with and tracking of consumers' wants and needs is a necessity.

Fourth and finally, social media offers a low cost, easily measurable engagement tool with sophisticated segmentation and targeting capabilities. Readers now interact directly with authors, brands and publishers as never before. There is increasing reciprocal value in engaging consumers (readers/fans) directly – fans mean business, and word-of-mouth and referral have always been crucial to the success of a book. Social media is a way of supercharging peer-to-peer recommendation and a first-rate vehicle for cross-selling other titles. It also provides an excellent source of first-party feedback and data.

## ENTERTAINMENT COMPANIES vs DIGITAL PLATFORMS

There is a tendency to assume that publishers need to copy the business models of the digital distribution platforms. I don't think this is a viable strategy. For a start it requires a level of scale and purchase data that is unavailable to them. Even if a publisher decided to compete with retailers and sell directly to the consumer, it would still be offering only its titles, not all titles. Even if the publishing industry banded together to create a platform to sell all trade published titles directly, they would still only be selling books and would therefore miss out on the data that Amazon has on other product purchases and correlations.

Additionally, the product set of publishers is too diversified, too peculiar, and there are too many SKUs (stock-keeping units). Individual publishers and imprints are very independent, often compete against each other and lack the resources to scale marketing or collect consumer insights.

'Books are a singular industry,' says Alyson Forbes, VP Executive Director Marketing Strategy at Hachette US. 'We don't have sophisticated e-commerce platforms or brand equity with consumers. Our brands are authors.'

Richard Nash, publishing entrepreneur and industry consultant/contrarian muses on the difference between books and other entertainment: 'Publishing is structured serendipity. The huge difference between books, music and TV/movies, the challenge we face, is that we're as different as we are the same. The thing with books is even the most avid consumer of books is making one decision a week. Books are fully immersive and songs can just occur in the background. Songs lend themselves to algorithmic discovery because they are mathematical in a way books aren't.'

However, it is instructive to look at how the digital content platforms' access to data and insight advantages them and how publishers might learn from this. In *Streaming, Sharing, Stealing* Smith and Telang identify five significant benefits of digital distribution:

1. The ability to better evaluate the potential market for content: 'Their hoards of proprietary data and their culture of data-driven decision-making allow the new downstream platforms to identify and produce "blockbuster" content that the traditional producers have overlooked while using their "gut feel" approach to decision-making.'
2. The ability to more efficiently promote this content to consumers: 'Because of the on-demand nature of their platforms and their ability to promote content directly to individual consumers, the new downstream platforms can profitably produce "long-tail" content that wouldn't be profitable in traditional channels.'
3. Digital platforms can create a strong connection between their content and their platform brand.
4. They can generate insights that wouldn't be possible without data on individual customers.
5. The data-driven insight that the most profitable customers are frequently those who are interested in the least popular products.

Ultimately, the message from *Streaming, Sharing, Stealing* is this: 'To succeed in the future, entertainment companies are going to have to control the interface with their customers (and the resulting data about their customers' needs) in addition to controlling the production of content.' It boils down to a knowledge of customers' needs and the ability to manage their attention – communicating value through direct connection with readers.

## DATA

Broadly speaking, data falls into two camps:

1. Quantitative (quant): data that can be measured and expressed numerically. It is statistical and based on a large number of representative samples. It is objective and determines the level of occurrence.
2. Qualitative (qual): data that classifies objects and properties. It is usually based on a small number of non-representative samples. It is subjective and determines levels of understanding. It provides insights and understanding about a particular problem. The nature of the data is descriptive and more difficult to analyse as it is interpreted as spoken or written narratives rather than numbers. Methods of collecting include focus groups, interviews, observation.

Quantitative data is all about 'How much or how many?' On the contrary, qualitative data asks 'Why?' It is exploratory.

Qualitative research includes ethnographic research, which studies people in their cultural setting; their language, and the symbols, rituals and shared meanings that populate their world. It can be done in any environment where people live, work, or otherwise interact, and involves observing and recording how the product fits into their lives. In a world where quant 'big data' rules, insights derived from actual people ('thick data') can be extremely valuable, and many of the people I interviewed from other industries swear by it. Jon Bird, CEO of [VMLY&R](#) (a global full service marketing/brand experience agency) ANZ, calls it 'exploring'. The agency deploys research planners into the field – into homes, on shopping trips, etc. – to uncover deep insights into behaviours, hopes, dreams. [This TEDtalk](#) from technology ethnographer Tricia Wang is a great introduction to 'thick' data.

Netflix carries out extensive A/B tests, collects behavioural data, conducts survey research, and undertakes qualitative research. For qualitative work, 'The research team is constantly in the field. We will go to customers' homes, shadow them for a day, understand the why in ways impossible through data alone,' says Siddi Sundar, Senior UK Researcher, Product & Innovation at Netflix.

Netflix Consumer Insight Director Tim Donza argues that marketers need to develop a methodology that questions 'What do I hear?', referring to their experience and interactions with others about the product; 'What do I know?', referring to data, analytics and high level analysis based on the company's data assets; and finally 'What is the truth?', which brings the two together.



## CONSUMER INSIGHT IN PUBLISHING

As former Head of Consumer Insight at PRH UK Louise Vinter explains in [this interview](#), 'Consumer Insight means understanding the characteristics, behaviours and motivations of your consumers – in our case, people who buy books.'

Liz Perl, EVP & CMO at Simon & Schuster US, observes: 'Compared to other entertainment industries we've done a very good job in getting along without data-driven consumer insight until now. Publishers and authors have always had a fairly intuitive sense of their readers in a way that other industries may not. Writers are very attuned to their readers. But to scale that, and to find and influence new readers, you have to have data. It's mandatory now, in order to be competitive, that we extract more consumer data, more information about their habits, and fine-tune everything that we do. We need it in order to find new readers and expand our markets. Given all the tools at hand, it gets simpler and more complicated at the same time.' Mike Shatzkin agrees: 'Every significant publisher is building a database of consumers. That is the line between those with a chance to survive and those that won't over the next ten years. It is what you are required to have to be competitive.'

Not being vertically integrated is a problem. As Laura Dawson, former publishing data consultant and now Data Analyst at HBO, says, 'It's a huge problem for publishers. Historically this is the primary problem. Publishers have never wanted to be in the business of sales.' However, Christian von Reventlow, author of *The Digital Shift* and currently Head of Product & Technology at Telstra, says, 'Typically, it is possible to correlate quite a bit. Advertising companies are good at correlating browsing history, app usage, etc. Any computer activity related to the book, you can find. There is no fundamental reason why you cannot do in publishing what other companies do.'

Stephanie Withers, Audience Insight Director at PRH UK, agrees: 'We can't measure actual behaviour so we use survey data as a proxy for actual behaviour. That's how FMCG brands work.' Carolyn Reidy agrees too: 'We don't need to be vertically integrated, and we can't compete against Amazon and B&N anyway. Amazon can sell their books more effectively than we can because we don't have access to that information. They are not a publisher though. We only have our own books. We have to reach audiences in different ways.'

Guillaume Pech-Gourg, Group Chief CRM & Digital Marketing Officer at Hachette Livre, told me: 'It is a big challenge, the fact that we are not vertically integrated. But it is up to us to be creative and try to find any touchpoint with consumers to collect consumer data. Really to make sure that it is in the minds of all teams. Every time we have a connection – entering a competition, using a voucher, going to a conference, going to an event – all of these touchpoints are potentially a way to collect data. One of the great things about the digital transformation is that you can locate an audience, which before we couldn't.'

We used the public media and display in retail outlets. For the first time we can directly advertise to those people and go directly to the consumer – Facebook readers who like one author might like another. The ability to pinpoint and outreach.'

Mike Shatzkin agrees, but highlights the particular challenges in our industry: 'Consumer insight comes from everywhere. It should not just be based on purchase. In publishing it is much more difficult to use consumer data effectively. Even if publishers knew the name of every single person who bought every single book, they would still be left with the significant challenge of what the next book that consumer would read will be. Digital marketing is more efficient and less expensive, but it is not a slam dunk. It is not like selling the next *Star Wars* movie to the people who have seen the last six. There is so much more granularity in the book business. Each unit has a small number of data points associated with it. The amount of statistically significant data is considerably less than the total amount.'

#### DATA / INSIGHT SOURCES

So, what are the data sources that publishers use for insight? Obviously there is sales data – Bookscan and Pubtrack, as well as internal sales reporting. There is search data from Google and Amazon. This discloses how consumers are searching and what they're searching for. However, search data providers do not disclose search volume, instead providing a relative popularity index – where the search falls into the overall spectrum. Thomas Yuhas, Senior Analyst Business Insights at PRH US, gives an example: 'You don't have exactly how many times "coffee" was searched. You do have whether "coffee" searches were more or less popular than "herbal tea" searches over time.' There are third-party data sources such as YouGov (a global opinion and data company), which has 280,000 consumer variables. Nielsen has its 'Books & Consumers' attitudinal and behavioural study, which studies 4,000 new readers every month. Audienceview from Hitwise is a consumer insights platform that marries survey data with search and website behaviour.

Then there are the social networks – Facebook, YouTube, Twitter and Instagram in particular, and also Goodreads (if influential users put a book on their shelf they can be targeted with advance copies) as well as reviews (on Amazon too). There are various different tools for social listening, and audience insight data such as Brandwatch, Tubular, Hootsuite, Sprout etc.

First-party data can come from email signups, websites, owned reader panels, loyalty programs. Newsletter databases are crucial and many publishers have set aggressive targets to grow their databases as well as using sophisticated CRM platforms and tools to

automate, segment and personalise email communications. Newsletters are segmented and targeted around key verticals. Surveys, sweepstakes, competitions and suchlike are all used to glean more information from readers. Segmenting through website accounts, which allow users to list their reading preferences, is now well established too.

Publishers I spoke to have reader panels and run their own surveys through third-party-owned survey platforms (although this is based on claimed preferences rather than actual behaviour – more on this below). Many are building or already have proprietary AI platforms and data warehouses to scrape information from sources to find insight and trends.

Alyson Forbes, VP Marketing Strategy at Hachette US, talks through the sheer variety of data sources and platforms: 'We have sophisticated social-listening capabilities. We have data coming in through Google Analytics. It's also coming in through Doubleclick for display advertising. Hootsuite for social media advertising. We're using native tools affiliated with Facebook to measure engagement stats. Third party tools to measure the audience on Twitter and Instagram. We have developed an acquisition tool kit that shows acquiring editors how to measure the information to help them decide what to acquire. Like a handbook. We are working to automate and come up with a marketing dashboard. Ultimately this dashboard will provide a visual representation of all these data streams.'

'Infobesity', or too much data from too many different sources, can be an issue. How do you boil it down to one kernel of truth that is actionable? Many publishers are building these kinds of internal tools to mine data, and creating these user-friendly dashboards for staff and authors to visualise and surface data. As Forbes says, 'We're identifying what the reoccurring questions are and how we can answer them.'

Richard Nash says it's about the quality of the data rather than the quantity. 'It's not about brute force accumulation of email addresses. The important thing is figuring out the taste-makers. The trick to consumer insight in publishing is to think of them not as consumers but as influencers. Think of them as media. Treat them like the *New York Times* book reviewer. The more we can treat the consumers not as consumers but as producers, the more they will evangelise. It is more important to have a really refined sense of what 50,000 readers think than have the emails of a million.'

Publishers do sell direct to consumer (D2C) too. Some have e-commerce capabilities on their websites that allow them to track the consumer through the engagement funnel to purchase. Some are building D2C businesses, such as HarperCollins' 'I Can Read! Book Club', a physical subscription box program connecting young readers with their heritage [I Can Read!](#) brand. I spoke to Kerry Saretsky, Senior Director of Global Corporate Strategy & Innovation at HarperCollins, who told me:

HarperCollins is interested in building and developing direct-to-consumer businesses for myriad reasons. First, we believe that these offer our authors incremental opportunities for discovery and sale. As in, these sales do not take the place of sales already occurring through existing outlets. Instead, we are able to reach new and different customers – customers who aren't near a retail outlet, customers looking for a different value proposition like curation or convenience – through our direct-to-consumer programs. Therefore, we ultimately increase the readership of an author's work. Second, at the same time, we can establish and grow relationships with our readers. We hope in the end those relationships will help us serve both authors and readers better, as we can more effectively make readers aware of content that is available to them by which they are truly excited.

Everyone I spoke to agrees that consumer insight is sourced in a variety of different ways. The music executive confirmed his industry is much the same. 'It's not super-sophisticated yet. We're still playing catch-up. We get data from the DSPs [digital streaming platforms] themselves, but any data from them is anonymised so can't be used to target. We collect first-party data with consumer consent from websites, socials, email address, etc. CRM is an ongoing thing. We're still building the ability to target and retarget consumers better, and create lookalike audiences.' He says, 'In the last five years the amount of resources that we put into data has grown hugely. Lots of analysts, and that has multiplied exponentially. Visualisation and surfacing of data is a priority; we're building tools to do this.'

## DATA vs INSIGHT

As outlined above, because publishers don't have access to detailed customer data, they use multiple sources. Too much data can be confusing and obfuscating. Data isn't an answer, it's an input. Ultimately it is the insight derived from the data that is important, not the data itself. It's about turning information into meaning.

I spoke to Yusuf Chuku, Global Chief Strategy Officer at VMLY&R, about data and insight. Strategists and planners are the voices of the consumer in marketing agencies. They ensure that creative work has the impact with consumers it needs to have. They take data and turn it into an insight to drive the creative process: the data is only useful if it can motivate creative. Insight and data support creativity rather than restrict it.

Yusuf says that data is a fact. For example, 'New parents spend 20 per cent of their income on their kids.' Insight is how that fact is articulated; it's 'the importance of that kid in their lives and how it makes them less selfish.'

'A good insight is like a refrigerator,' Yusuf goes on to say (quoting advertising legend Jeremy Bullmore, from his book *Apples, Insights and Mad Inventors*). 'The moment you look into it a light comes on. Unless an insight makes sense, people won't buy it. It has to make sense intuitively. We're searching for something that people can all get behind.' He says that when we think about our audiences/consumers, we often think of them as the Other. 'It takes extra effort to walk in their shoes. We are often sympathetic but not empathetic.'

In *The Digital Shift* Christian von Reventlow agrees: 'Identifying drivers of transformation requires empathy. To grasp change you need intuition, an awareness of trends and cultural sensitivity, as well as a profound understanding of the true wishes and needs of target groups.'

Yusuf compares data to satellite navigation: satellites need at least three points to triangulate and get an accurate pinpoint. Researchers study what people are doing – their behaviour; why people are behaving that way; and the context in which they're acting. Typically agencies will work with quant and qual. Industry data is often quant, comprising the audience behavioural data. The agencies' clients will supply consumption data and the agency will look at media data – what people are watching, reading, where they are online, etc. The qual work includes in-depth interviews through to focus groups, ethnography and field research to understand the 'why': motivations, beliefs and attitudes. The agency will also look at context – semiotics. What are the rules and heuristics in the category? This will give them an idea of which rules to follow and which to break.

All this leads up to the campaign. Once it is launched the agency will examine performance analytics and look at messaging that is resonating. They're looking at short term (driving click-throughs, sales) and long term (brand-building).

Ultimately, Yusuf says, consumers can tell you what they liked in the past but they can't tell you what they want in the future. The challenge is to structure the research in a way that helps you understand their taste. 'You have to be able to understand what it is that resonates but you can't ask directly. The trick is finding a common narrative from all these different data points – and is there an action point that can be applied to that narrative?'

Carolyn Reidy is cautious about an overreliance on data: 'The best thing that publishers do is that which is new and different. How do you take the next thing and find that audience? How do you make the thing that doesn't easily fit into a category work? Data is great and it can show you a lot of things and a lot of possibilities but it's limiting because it's based on the past, on what worked last time.'

What is publishing's 'refrigerator insight'? In the [red ocean](#) of content what is the unique, uncopiable value that books deliver? Differentiation is at the heart of competitive

advantage, so I loved Michael Bhaskar's take, 'The key for the future is to play up the thing reading gives you that no other media does. It is a media where your own imagination and brain does most of the work – we should structure everything we do around that insight. It's a colossal USP in an oversaturated market.'

### INFORMED INTUITION vs GUT INSTINCT

Tim Donza, Netflix Consumer Insight Director, says Netflix views itself as being at the intersection of entertainment and technology, blending the instinct that drives Hollywood success with tech and customer data analysis. 'Data is a tool to inform your gut ... The golden gut is hard to replicate – you either have it or you don't ... Golden data is what you think it should be because you've taken the time to let big data inform your gut.'

Netflix CEO Reed Hastings says, 'We start with the data. But the final call is always gut. It's informed intuition.' While data is a tool for Netflix, their various projection models and cost analyses don't dictate their decisions.

'It's 70 per cent gut and 30 per cent data,' Chief Content Officer Ted Sarandos says [in this interview](#). 'Most of it is informed hunches and intuition. Data either reinforces your worst notion or it just supports what you want to do.' The company also sometimes ignores the data if executives have enough passion for a new project, Sarandos says, calling such cases 'forward bets, where you go to a full season even though the model's not quite there.'

(In [this interview](#), though, Sarandos flips the 70/30 stat. 'It is important to know which data to ignore. In practice, it's probably a 70–30 mix. Seventy is the data, and 30 is judgment. But the 30 needs to be on top, if that makes sense.')

There is a misconception that digital platforms like Netflix use their data to make creative decisions about how to produce content. For the most part this is not the case; they're using the data to match viewers to the content that meets their needs. 'The real advantage we have,' former Netflix Chief Communications Officer Jonathan Friedland, has said, 'is not in picking the perfect content, it is in marketing it more efficiently.'

Ted Sarandos again, 'We don't use data to influence creative at all. Our data is mostly used to say, "Wow, there's a real *there* for this show. All the elements are there for this to be a great big show.'"

'There is an empowerment of the creative process at Netflix that is genuinely unique, in my experience,' says *Stranger Things* executive producer Shawn Levy. 'Over the course of a dozen feature films and TV shows made for more traditional studios and networks,

I've never encountered such an absence of committee-think, so little bureaucratic interference.'

Jon Bird says that at YMLY&R, 'We use informed intuition all the time. Our business is about creativity, plus technology, plus culture. Getting the balance right is really important. If you let the data be too prescriptive, it takes the magic out of what you are doing. It's a combination of art and science.' Christian Von Reventlow stresses the need to know what you want to achieve from the outset: 'You need to know what questions to ask before you can gather data. As a consequence your gut/intuition informs the data gathering process. And if the data suddenly shows unexpected patterns – i.e. somehow not in line with your expectations – then the creative process/intuition/gut gets going again looking for potential "explanations" of the pattern observed.'

Stephanie Withers agrees: 'Publishing is refreshing in the sense you have to respect the creativity of the team. The strategy is to understand readers so well that gut is inherently informed by consumer understanding. It's about putting more consumer-driven processes in place and creating certain checkpoints along the way, where people are forced to think about their audiences.'

Liz Perl: 'We need to get really granular in terms of users' behaviour. Traditional book marketing campaigns were completely title focused. We're flipping the approach when marketing in a consumer-focused way.'

Carolyn Reidy: 'The question with all of this data happening is trying to figure out how to have that book that tips. Phenomena is created by word of mouth. We need to spend more time and energy on the potential audiences for books and how to reach them. We should do a little less spraying and a bit more firehose. The main thing will always be helping identify potential readers and how to get to them. You know an audience is there, but how do you direct attention to the book? Insight will let you know how to satisfy an interest out there that might not be catered to yet.'

Matt Clacher makes the point that data is often embraced at the more commercial end of the publishing spectrum first: 'For the more commercial teams, consumer insight's relevance and utility is undisputable. It's all about matching material to consumer insight. We can invest if we know there is an audience. It's much better than a licked finger in the wind. The further you get away from commerciality into art, it is viewed with more scepticism. Data helps you check your biases and prejudices.'

The music executive says, 'It would be very difficult to walk into a meeting and push a significant proposal that didn't have data support. It would be unusual today to sign an artist without it. Trends, velocity etc. The "golden ear" still exists and there are still passion signings – "that person is a genius" – but they're still supported by data.'

Laura Dawson talks about how the culture at HBO is changing: 'The culture has been very bespoke. [Employees] see themselves as not taste followers but taste makers. And that comes from the top. HBO has not traditionally been a data-driven company. Decisions are primarily taste driven. The view has been "I am going to present you with something and I know you will love it." Since it was acquired by AT&T there has been a lot more focus on data – as they're a phone company they're obsessed with it.'

The difference between Netflix and HBO illustrates the tensions in a creative business between being artist led (but informed by consumer insight) and being led by the taste and experience of the company executives. 'I can tell you what an HBO show is,' says *Watchmen* showrunner Damon Lindelof in [this article](#), about one of the advantages that a legacy business has in the streaming wars. 'What is a Netflix show versus a Hulu show versus an Amazon show? I can't answer that question.' It's arguable that HBO's more old-school approach has produced more memorable shows and stronger brand equity.

Of course one of the great advantages of a data-driven approach is that it removes subjectivity and personal opinion from the conversation – that 'focus group of one'. Often it is the loudest voice in the room or the most senior person's view (these two things are correlated) that prevails. As Siddi Sundar says of Netflix: 'If Reed Hastings and a new employee both come up with a new idea, the winner is the winner of the A/B test. It's democratising.' Reed's goal has always been to create a system where anything could be tested to see what worked and what didn't.

Most agreed that when data is presented as another opportunity it can really work. As Katie Burns, Director of Advertising for Knopf, Pantheon, and Schocken, says, 'Here is what we know about our readers, here is what we know about the book and here is how we can marry the two together.'

Erica Curtis, VP, Marketing Strategy, Consumer Insights & Analytics at PRH US: 'There will always be holdouts, but most people embrace data as part of the creative process. It adds and doesn't take away. It's not about replacing gut – sometimes it bolsters your own intuition. More editorial teams are embracing consumer insights.' Mike Shatzkin agrees, 'It's good to test your intuition against data when you can. Not all data is equally authoritative and not all conclusions drawn from data are. I wouldn't dismiss the value of human intuition.'

## SEGMENTATION

Market segmentation is the foundation of any business strategy. You research the market to diagnose and understand it, and then segment it. Building a market orientation means



you try to see the product the way the consumer sees it; segmentation is about the market/consumer and not the brand/product.

You then target your audience and position your product to them. As Matt Clacher, Marketing Director at Fourth Estate, says, 'There is a specific group of people who this book will appeal to – our job is to find them and put the product in front of them.'

Classic marketing segmentations are:

1. Demographic (gender, income, education, religion, etc.). Demographic segmentation has a major drawback, though, in that it assumes consumers in the same demographic group have similar needs – it tells you almost nothing about who people are or what they want to consume.
2. Psychographic (shared personality traits, beliefs, values, attitudes, interests, and lifestyles).
3. Geographic.
4. Behavioural (on the basis of buying patterns of customers such as usage frequency, brand loyalty, benefits needed, etc.).

Instead of grouping members by age or race, or even which country they live in, Netflix tracks viewing habits and has identified almost 2,000 micro-clusters that each Netflix user falls into. Rochelle King, Netflix's Vice President of Product Creative, states, 'In general, a person's race, gender or ethnicity is not a great indicator of what that person will actually enjoy watching. Time after time, we have seen that great stories transcend borders and that an individual's tastes are complex and multifaceted, going well beyond basic demographic attributes.'

Netflix has replaced demographics with these 'taste clusters' or 'taste communities', predicating programming decisions on immense amounts of data about true viewing habits, and not estimated ones. While it's not a direct parallel, taste communities are Netflix's version of the demographic ratings used by traditional TV networks, but more evolved. It also identifies program 'verticals' – very specific groupings of similar programs which in turn break down to micro-genres based on key descriptors ([this 2014 article](#) counted 76,897 unique ways to describe types of movie).

Spotify [defines its audience by moods](#) and activities/moments instead of genres. Its enormous access to mood-based data is a pillar of its value to brands and advertisers, allowing them to target ads on Spotify by moods and emotions.

Publishers, of course, segment by genre (genre, micro-genres, niche genres, etc.) and subject – starting with fiction and non-fiction, children and adult, and then breaking down by BISAC/Thema subject codes. These are very important as a standardised way to shelve

and code books and to aid discoverability in the online retail environment. Really they are more about the book product than the end reader, though.

In recent years many trade publishers have embarked on a consumer/reader segmentation based on attitudinal and behavioural information. The aim is to understand not just preferences, but motivations, needs and behaviours. So not just the content interests (genres and subjects) that are driving differences in readers, but behaviours and attitudes around reading itself. These segmentations are more about people's motivation to read and how the publishers can communicate with them. Erica Curtis says, 'It's about thinking about readers as whole people. Segmentation is helpful in informing a holistic picture of who readers are as people. The insight is readers don't just read one thing. Readers are content omnivorous.' As Yusuf Chuku says, 'It's not understanding the books that they like but what is the role of books in their life. That is where unlocking the creativity comes from.'

The publishers I spoke to that had undertaken a reader segmentation project had identified between six and nine segments (with extra ones for YA) or consumer personas, based on motivations, habits, attitudes, preferences (as opposed to content interests or genres). The research was carried out by third-party research companies and based on surveys, focus groups and reader panels.

The most successful aspect of segmentation is that it gives organisations a common language to talk about consumers and launches conversations. As one interviewee said, 'It elevated the shared understanding about who our readers are.' It is also helpful in breaking out of the publishing bubble and 'powerful in widening the lens – not just genre and age etc.' It has also been useful in raising the culture of insight in general. Retailers are very interested and marketers have overlaid the propriety segmentation over retailer segments, mapped email lists to them and also to Nielsen segments for media buys.

A drawback of segmentation, according to some interviewees, is that it's not actionable and a bit difficult to leverage, execute on and use in day-to-day life. Readers also tend to belong to multiple segments and move between them. Segmentation needs to be regularly updated to stay current and relevant. It is hard for users to break out of a demographic and genre-based thinking. Often it seems a major consumer segmentation is the first task for insight departments. Some have now moved away to focus more on quick, actionable surveys. There is a push towards personalisation and the so-called 'segment of one' (more on this below).

Richard Nash talks about segmenting in terms of intensity – concentric circles of engagement based on the passion for the book/author. 'You can scale a tiny bit of intimacy. It goes a long way in this industry. How do you effectively blend intimacy and

scale? You can create certain virtuous cycles there around enriching the data of individual readers.'

I should mention the sophisticated segmenting and targeting tools that Facebook offers. Publishing marketers are becoming increasingly adept at using these. Facebook offers three options to build an audience and target ads: [Core Audiences](#) reaches people based on demographics, location, interest and behaviours. [Custom Audiences](#) helps find existing customers and contacts on the platform. You can use various data sources such as email contact lists and website visitors. [Lookalike Audiences](#) helps you find people on Facebook who are similar to your customers and contacts. You can use an existing data source or a Custom Audience to build a Lookalike audience. [This article](#) outlines how the Trump campaign used Custom and Lookalike audiences to great effect in the 2016 election.

## PERSONALISATION AND USER BEHAVIOUR

Ted Sarandos, Netflix's Chief Content Officer, puts it succinctly: 'There's no such thing as a "Netflix show". That mindset gets people narrowed. Our brand is personalisation.'

Christian von Reventlow from *The Digital Shift*: 'Today companies group customers into broad segments that have similar behaviour patterns. Tomorrow, companies will target customers as individual users and build experiences specific to them and their needs. The goal will be to deal with every user as a "segment of one", regardless of how, where and when they interact with the brand.'

Jon Bird: 'Where we are heading is using data to get to messages that are as personalised as possible and get as much as you can down to an audience segment of one.' All the publishers I spoke to are working towards capabilities to personalise their communications. This can come from segmenting at the point of customers signing up to newsletters and website accounts, and tracking how users browse their sites. Some have data science teams that build recommendation algorithms. Some have email programs that are completely personalised. CRM platforms (third party and proprietary) offer increasingly sophisticated ways to personalise communications. Cookies also help. It's about understanding that there is one customer on many touchpoints. As Liz Perl says, 'We need to get really granular in terms of each user's behaviour. Publishers still look at it through a lens of book by book.'

In his [TED talk](#) Reed Hastings discusses the difference between aspirational values and revealed values. His advice is not to pay too much attention to what people say – watch what they do. Go only with revealed values.

Stated preferences are rarely as accurate as actual behaviour. Publishers are using their websites to track user behaviour and investing a lot in personalisation via EDM (electronic

direct mail) programs and on site. There is a whole suite of analytic services to help do this. One publisher can actually now distinguish between a user's explicit preferences (what they say they like when they tick a box) and their implicit preferences (what they actually search and click on). Alyson Forbes at Hachette says, 'Our new CMS [content management system] has been a game changer. We can see how people are behaving on our site. It allows our marketers to customise content on the fly. All actions on site are tracked and reported on and we then create content based on this.'

## BECOMING READER/CONSUMER-CENTRIC

Mike Shatzkin thinks it will be:

a long time before most of the output starts with the reader, if ever. Most books start from proposals that are peddled by agents who are influenced by what the trends are for book sales. I don't think it will be very different any time soon, it's not imminent. Books gain credibility if they have been in the market a long time. And publishers are mostly acquiring books that won't hit the market for more than a year, maybe much more than a year (because they mostly buy them before they are even completely written). Market research – the R&D – is the publishing process itself; the cost of bringing a book to market is often not a lot more than what is spent finding and reaching its audience.

He talks about the necessity for a particular consumer focus, 'We have come out of an era when the category was books and they all had a similar marketing and distribution channel – through book-friendly channels. The book-centric marketing and distribution centres are dying. Publishers need to focus on topics and categories of consumer interest so they can get to know them intimately. Publishers need to rethink the business from general to multi-niche. These are the books we do and don't do.'

Brian O'Leary, Executive Director at the Book Industry Study Group, thinks that publishers could be doing much more to become truly reader-centric. 'We think about it as product first, not context first – we are so driven by the workflow to create an object that we cut out the things that could get us to a consumer. There is an opportunity to atomise context and break book product out. "Prove to me that there is a market" is a product functionality/mindset. As opposed to "Here is a market, how can we serve it?" – [that's] a consumer-first mentality. That would start us thinking about a different type of product.'

He gives the example of using metadata to make content more discoverable online. 'Publisher websites should use their metadata on their own webpages to take advantage of what's been done by [schema.org](http://schema.org), which gives publishers the ability to use structured

data to make it more readily discovered by search engines. We put a lot of work into creating metadata, but the value accrues to the retailers that use it.'

His second example is more speculative:

Right now, publishers use weekly feeds to hand metadata to distributors and retailers, who load some subset of that metadata onto their sites. That drives purchase, but publishers have little or no visibility about what leads consumers to discover and purchase a book. If we moved to a set of repositories that hosted a single record for each book, consumers would be able to access it when searching, and publishers would see what led them to find and potentially buy a book. They'd still give metadata access to distributors and retailers, but rather than send it and lose control, they'd maintain control and have the retailers query the databases. This would give publishers the ability to do things like change marketing copy, price, or other elements, and see the impact on sales.

Many of the people I spoke to emphasised the crucial importance of updating and optimising metadata. Carolyn Reidy says, 'Metadata is a constantly moving target. We're constantly adjusting.' She gives an example of the screenwriter of a hit TV show who had written a novel years earlier (that had no relationship to the show). They included metadata of the show and the book sold.

Brian O'Leary goes on to say that, 'if publishers want to sell more directly to consumers, they need to act like direct marketers, who are much faster and more data-driven than we are in book publishing. If they want to sell directly, publishers will have to learn new skills and confront the design limitations of a supply chain that was built for moving information and books from one company to another, not from a publisher to a reader.' He talks about how companies such as [Storyfit](#) and [Kadaxis](#) use AI to mine user-generated content (online book reviews, social media mentions, etc.) to pick keywords that capture what readers say about a book. BISAC subject codes are more a publisher-driven way of describing book content. Using keywords that match the way that people who buy and read books talk about the book makes it more likely that you'll show up in consumer searches for relevant content (including instances when people might be looking for something other than a book).

He gives [Sourcebooks](#) as an example of a publisher that editorially starts with how to link content to market (PRH bought a stake in the company earlier this year). 'They are very data driven and always have been. They seek out and use data on trends. They look at velocity. They created a partnership with Wattpad to better understand markets that they could put books into. They really view it as a funnel.'

## LISTENING TO READERS / DIRECTING ATTENTION

It is more and more important for publishers to listen to readers in order to direct the increasingly scarce resource of audience attention to their books and solve the 'problem of getting noticed.' How do publishers listen to their readers and use that data and insight to inform publishing and marketing strategies?

As previously mentioned, social listening is becoming increasingly sophisticated. Various tools such as Sprinkler, Talkwalker, Falcon Social can measure engagement on posts, as well as noise around authors and posts, and spot trends that are picking up velocity. Publishers use social listening to look at what consumers are saying about their brands, and topics they are investing in; the number of mentions in a week or a day, etc. (General Data Protection Regulation ([GDPR](#)) has curtailed this a bit, particularly on Facebook.) Crowdtangle is a native tool to Facebook that can measure a publisher's engagement stats or anyone else's.

Jon Bird confirmed that some of the richest client insights at YMLY&R come from social media listening. An example he gave is their client McDonald's. McDonald's noticed lots of posts from customers about how they loved dipping their apple pie into McFlurry sundaes, so it combined the two and the Apple Pie McFlurry was born.

Some publishers have well-developed reader panels. They pose questions to the panel and tabulate the responses. They also run workshops from the panel to get insights on bigger brands and test messaging. 'What pushes buttons? What are readers looking for and how can we turn that into a marketing campaign?' Others use external panels to test covers and run quick polls. They can have access to the research findings as soon as two days after. Survey tools such as MyFeedback can be fully integrated with CRM platforms and send questions straight to particular segments of email databases.

Guillaume Pech-Gourg: 'We identify influencers and engage them. We also scrape Goodreads reviews and use that to inform the copy. We collect data and ask consumers what they've read. We run quick surveys, or a welcome mailer as an introduction, or a competition. We can also look at what they're doing online. Clicking on a book will add to the profile of the consumer. We are creating more and more connections between the different channels. With cookies we can be much more efficient in tracking.'

Liz Perl: 'We are limited in how we can listen to readers directly. We can do it through social media, events, on-site behaviour, purchasing habits as well as via our authors' reader relationships. I'm not a fan of relying on static surveys, they have a shelf life. We're owned by CBS so we have access to a broad, dynamic survey audience as well. We monitor reviews, ranking, sentiment etc. at retail.'

Regarding using reader data to direct attention to books, Alyson Forbes says:

The biggest way that we do this is through Amazon Advertising – search and basket analysis. We have embarked on a backlist promotion based on this and have seen some good success creating incremental sales. What other pages people are looking at, what books they've bought etc., what's in the cart? It's about cross-product promotion. Social engagement is great but difficult to track through the sales funnel. We also measure sales through affiliate relationships with retailers. We do A/B testing through our CRM platform to determine what people are responding to. We also do a lot of behavioural targeting in digital ad campaigns. We look at 'known clickers' – media outlets let us collect rudimentary data on who has clicked on ads.

In *The Content Trap* Bharat Anand talks about the importance of building product connections. 'Use known products to market unknown ones. If you think great content alone will do the trick you're likely in for a disappointment. You need product connections, too.'

#### CULTURE/TRENDWATCHING

Publishers are merchants of culture. We publish into the culture and we inform and drive it. In his excellent essay [What is the Business of Literature?](#) Richard Nash says the publishing business is the 'business of making culture, not just the business of manufacturing bound books. The publisher is an orchestrator in the world of book culture'. Carolyn Reidy says, 'The job of publishers is to lead the culture. You're trying to make people interested in something they didn't know they would be interested in. That is the art of publishers.'

Publishing will always rely on authors, agents, editors, publishers, marketers – everyone in the value chain – being immersed in culture, to publish books that ride, contribute to and make the zeitgeist. Understanding the role of the brand and product in culture is important for any business. Yusuf Chuku says, 'Strategists have to understand culture. We look at it on the assumption that no one cares about our brands. We have to understand the things that people do care about and fit that into the advertising. Find the overlap between that thing that is happening in culture and what we as a brand are trying to say.'

Increasingly, though, as well as relying on their own cultural awareness, publishers are engaging in trendwatching to help generate ideas for books, identify 'mass niche' audiences and catch and ride cultural waves before they crash. As Mike Shatzkin says, 'It's a logical step to learn from conversations and discussions taking place to publish a book if there is no book on those conversations. Publishers need to work out which genres and how fast. All of that is evolving.'

Some are working with third-party trend innovation agencies that publish reports into different verticals, but these can be a 'bit macro and hard to base publishing on'. Some subscribe to trends newsletters such as [The Hustle](#). Consumer Insight departments do their own research, watch consumer and media trends; look at sales data and keyword search trends; and put out their own internal newsletters. Facebook client services also publish their own white papers on trends. Communities on Facebook are a good source too. Stephanie Withers mentioned the UK bestseller *A Pinch of Nom*, which started as a Facebook group (with over 800,000 members) and became the [fastest selling debut cookbook](#) of all time.

The music industry executive mentioned that today's music A&R guys are scraping Youtube, [TikTok](#) and Soundcloud to see what is bubbling up, as much as they are going to gigs to hunt for new talent. All the labels have their own 'special sauce' algorithms, which are jealously guarded.

Of course trends are often about non-fiction, and can be harder to apply in fiction, particularly in literary fiction, as Matt Clacher says: 'Even in the literary end of the business there is awareness of the importance of metadata, but things like trendwatching are greeted with a bit of an eye roll. We are submerged in culture and trends as it is. Gut instinct does play a huge role but it's not as ignorant as it sounds. It is, as ever, a hugely emotional business. It is people gambling with their tastes.'

Last year the online publishing website Wattpad [announced](#) it was making its debut into the physical book world with its own direct publishing division. Wattpad Books purportedly uses AI to pick books for publication in the form of their own Story DNA Machine Learning technology. CEO Allen Lau said they use learning technology to take 'the guesswork' out of the publishing equation: 'Whereas traditional publishing is based on individual editors' tastes, Wattpad's technology will scan and analyse the hundreds of millions of stories on the app to find themes or elements that might determine a story's commercial success'. Wattpad combines this data-driven approach with human editors. 'We're able to take the opinions of 70 million users and what are they reading and what's resonating with them as a starting point,' said Head of Content & Publishing, Ashleigh Gardner.

[Callisto Media](#) is a publishing start-up that uses keyword search data to develop books based on search terms - it's starting with consumer wants and needs. [This article](#) explains how Callisto uses data analysis (60 million pieces of consumer data per month) to find what subjects consumers are looking for through Google and Amazon search terms. If there is no book to fulfil that need they aim to bring one to market in as little as nine weeks. Founder and CEO Benjamin Wayne says that, based on his own analysis, acquisitions editors pick a winner only 3 per cent of time. 'In the world of almost infinite



consumer data, the idea that you cannot say with specificity what a consumer will want to buy seems frankly ludicrous.'

The big publishers are pursuing data-driven publishing too. In June, Simon & Schuster US launched Tiller Press, a trend driven imprint focused on publishing 'timely, culturally relevant books'. In the media release Liz Perl said, 'The time is right to turn to the latest in social listening, research and analytical capabilities to discover new readers and meet their needs with the right books at the right time. The skills developed for Tiller Press will also serve our larger publishing effort as we develop a deeper understanding of our readers.' Theresa DiMasi leads Tiller Press as Vice President, Publisher. She said, 'We are committed to finding audiences hungry for books that have yet to be written, and using data science and trend analysis for taking risks on ideas and authors that might not traditionally find their way to a publisher. This approach will enable us to bring books to engaged, niche and underserved audiences.'

Other major publishers either have, or have plans for, data trend-driven imprints too.

Richard Nash isn't convinced: 'For publishers it's not worth imitating [Callisto]. Hiring editors that are attuned to their culture and not their own personal tastes is a much better strategy. You're better off figuring out what evergreen content you have and getting that highlighted than creating new stuff. Trade publisher expertise is not creating a content farm. Publishers aren't optimised for this – the infrastructure is built to make money on backlist and make money on big hits if you get lucky.'

#### HEAVY READERS vs LIGHT READERS

In his influential book on marketing, *How Brands Grow*, Professor Byron Sharp argues that marketers spend too much time talking to heavy buyers and that, in order to grow, brands need to target light buyers and non-buyers. 'Marketing has the best chance of being successful when it has as much reach as possible. It is particularly successful when it reaches light and non-buyers of a brand ... Acquisition is vital for growth and maintenance. Reaching all buyers is vital, especially light, occasional buyers of the brand.'

Marketers may be tempted to focus on the people who buy often because they engage frequently and account individually for important sales volume. This is the 'heavy buyer fallacy' – the tendency to overlook the fact that most customers are lighter buyers who together buy enough to matter a lot.

Digital marketing and social media have made it much easier to identify and talk to engaged audiences and fans, but are publishers preaching too much to the converted? In

order for a book to tip into being a megaseller, it has to hit those 'once a year' readers too. I asked the interviewees about this.

Guillaume Pech-Gourg's opinion is that, 'We should try to focus on engaged and heavier readers. It would be very challenging to convince a light reader to engage with us. We are missing purchase data but we have valuable data on social demographics and the way they engage with content. We can use that to better target and make advertising more efficient via test and learn initiatives.' Mike Shatzkin agrees, sort of, 'Generically it makes sense to fish where the fish are. It makes more sense to fight for more share from the people who read more books. On the other hand, book reading is partly driven by the insularity of the book business.'

Stephanie Withers, however, says: 'We need to understand more about light and non-readers. Readers are saying they don't read as much as they used to. Data suggests light readers are increasing.' This [recent article](#), titled 'Before the internet broke my attention span I read books compulsively. Now it takes willpower', sums up the issue and cites Roy Morgan [research](#) from 2016 demonstrating that the proportion of Australian men and women reading books has decreased in recent years, most noticeably among women.

Erica Curtis mentions that segmenting PRH US's readers has thrown up the very useful information that the most valuable readers, in terms of book spend, are not necessarily the heaviest readers. 'There is a large but casual reader segment that, when reached effectively, can extend a strong-performing title into a runaway bestseller. So we're not just going after heavy readers, we're also chasing casual reading segments. We're always looking for additional opportunities to reach a new audience.' Matt Clacher says, 'Everything that we try to do when we talk to our audience is to be a calling card to new people. We use heavy engagers to do that work for us. There is a big vlogger/Instagrammer movement – we're engaging with them to be ambassadors and champions.'

Social media advertising is more efficient than traditional mass market advertising, but is it more effective? Digital marketing can be measured, but just because it can be measured and observed doesn't necessarily make it useful. As Jerry Daykin points out in his article 'It's Beyond Time to Rethink Social Media Marketing' (in *Eat Your Greens*, edited by Wiemar Snijders) social media platforms work more like traditional media channels than most people think. 'Yes, they allow for interaction, and have far more information about their viewers, but ultimately they are valuable to marketers because they attract large audiences that we can reach highly efficiently with paid media promotion.' A focus on engagement as a measure of ROI (in the absence of a click through to a direct sale) often comes at the cost of reach. 'Social media isn't free, most of your consumers don't want

daily conversations with you and you don't need to think about something funny to say about every major event ... And that's OK. It turns out that, just like TV or print adverts, social media can influence decision-making without you needing to click and actively engage with it.' Reach and penetration, according to Sharp and Daykin, are what marketers should aim for, not loyalty and frequency. Traditional mass market advertising is still very important to reach audiences and build brands – it should be part of the mix in any major campaign.

I spoke to Michael Sussman, CEO of [BAV \(Brand Asset Evaluator\) Group](#). BAV is the largest and leading empirical study of brands. Michael says that although everyone agrees that social media is valuable in reaching both heavy and light engagers, no one really knows how to use it yet. There are no organising principles. At BAV they have thought hard about what really matters in the social space and developed a set of proprietary metrics. BAVSocial captures four dimensions of online equity based around Vitality (the passion in the conversation), Involvement (the engagement in the conversation), Mood (the visible respect for the brand) and Prominence (the brand's online footprint measured by referrals and search). Each of these are linked back to their four pillars of brand equity and momentum: Differentiation, Relevance, Esteem and Knowledge.

Digital marketing and social media are still marketing and should be used tactically as tools within a strategy that encompasses the whole marketing mix – not as ends in themselves. As marketing strategist Professor Mark Ritson says, 'There is no doubt that all the various digital tactics that have emerged over the last two decades have reshaped the world of marketing execution, but they have changed the questions of marketing strategy not one jot. We still need research and we still need target segments, objectives and positioning statements.'

#### THE STATUS OF CONSUMER INSIGHT IN PUBLISHERS

At Netflix the insights team is regarded as central to the organisation. Siddhi Sundar from the Product Innovation team says, 'Insights at Netflix is not a support role: we are equal partners, with autonomy. The consumer insights team is really unique; we create research programs that best meet the needs of the business. It's really empowering: you define the research that you think is most important for the business and execute. As a result, we are answering questions on a much broader scale. We're really pushing our answering of business-related and focused questions. We're not just providing a narrow sense about usability, for instance.' The team is given freedom to drive insights forward, with no process for approval.

Erica Curtis says of her work at PRH US: 'We're trying to get to a more proactive mix. Putting out high-impact deliverables. A lot of our work is reactive – solving problems and answering questions. We are beginning to field questions around editorial direction – suggesting topics and storylines for themes based on what people are interested in.'

Guillaume Pech-Gourg at Hachette Livre: 'It is still a bit challenging and not something that everyone is really using on a day-to-day basis. Publishers and editors are more interested by digital marketing and the access to consumers than talking to them and engaging with them. French publishers are still relying on their intuition. But it is changing and we're getting more traction. There are more focus groups and qual research. If it focuses on one particular topic and one particular question then it's useful. If too broad then less useful.'

Stephanie Withers at PRH UK: 'The Insight department has been in existence for eight years. In that time we've done a great job in getting a completely gut business to think about audience, but it is still quite reactive. There is a lot more we could be doing to think about readers. There are a lot of people who think that all readers are like them. That they're all people who think and talk about books all the time. There are segments who buy books for a particular need and don't necessarily start with "I want a book." People who just consume entertainment. There are lots of pieces of work happening to inspire and provoke the business to think differently about audience. Insight teams are halfway to becoming business partners. They are fully integrated into publishing houses now. Every big decision should be driven by a consumer insight right from the start. It has to be an informed gut.'

Alyson Forbes at Hachette US: 'Even at acquisition, we are thinking about segments and audiences. It's definitely the more commercial imprints that are more open to the value insights can deliver. We produce case studies that show how insight has driven growth and we have developed a framework by which people judge execution for the marketing mix. It always starts with the audience. Who is the audience? What is your business objective? It's definitely much more integrated.'

Kesley Tiffey at PRH: 'We're somewhere between support and autonomous. Most projects are reactive because they have to be. Use and value varies from publisher to publisher. Publishers come to us with ideas. They have the gut and we have the insight. We're checking gut instinct and informing it.'

All agree that it's critical the insight function is centralised. Liz Perl says, 'In the past, audience insight lived in a separate digital group and its use was limited to the service of digital marketers – social media analytics, email marketing, site analytics. Now, the data

is applied across the business to support our publishers, authors, marketing, sales and accounts. It is all about finding and servicing readers. By that I mean selling them a book.'

## THE FUTURE OF CONSUMER INSIGHT

My final question to the interviewees was about the future of insight in publishing.

Mike Shatzkin: 'The future is that it will be used more and more, and the publishing houses will adjust themselves to use it better. They will have to convert from general to multi-niche. What is the composition of their lists by audience? It's not *just* "What are the next books that you can do?" but, as you talk more to audiences directly, it is *also* "What books do you already have that meet what that particular consumer needs?"'

Guillaume Pech-Gourg: 'The moments to read are shrinking – people are now doing a lot of other things. We need to understand and pay attention. We're still a content industry so we don't want a scenario where data rules everything. I would like to keep on helping publishers and marketers to make good decisions. Data will help make the difference to communication, to share, to help discoverability of books. Personalisation is key. Personalising content. There will still be a bit of manual intervention and set-up for initial lists but finding and serving books to consumers will be automatic. We are very close to algorithms to make the process more directed.'

Alyson Forbes: '[Insight] is an inevitability. The expectation of the consumer is surprise and delight. The only way we can compete is by surprising and delighting, and the only way we can do this is by knowing our audience. That is the way it has to be.'

Katie Burns: 'I can only see it getting more intense. The more we can get to know our readers, the smarter the business models will be. The challenge will be how much of that data we can own as a first party. We need to let readers know that we are the content creators. But there has to be human curation to it. There has to be a human voice behind it.'

Thomas Yuhas: 'I think [Insight] has to grow. The world is getting more data driven and we have to do the same. There will be more focus on analytics. Connecting our products with those readers is essential to our business. We need to better understand readers and better connect with them.'

Erica Curtis: 'I would like us to know much more about what is going on out there in the world apart from publishing. Fleshing out the whole person. Finding out what motivates people and makes them tick. There is the opportunity in the future to influence reading culture. What is going on out there in the world? What are their needs? We can better fulfil

their needs in creative ways that are just emerging. How do we elevate reading and books so that people shift their time and attention to reading in general?’

Liz Perl: ‘I think we will get better at harnessing current reader behaviour and focus on predictive uses for insights to drive new publishing ideas. This could be new books, formats or methods to reach readers. I would like to be able to market to people in completely new ways and reach them in new places, offering a personalised, frictionless path to their next great read. Personally, I’m not afraid of “creepy” intuitive marketing!’

The music executive made the point that, as entertainment companies, we need to start thinking much more long term. ‘My industry’s time horizons are much shorter than a company like Amazon. We tend to be annually performance oriented and that has drawbacks.’

Richard Nash: ‘Surprise me. Publishing has been innovative all along. The great consumer insights of the future will come from reading histories of books and publishing. Alexander Pope ran the world’s first Kickstarter campaign. Publishing doesn’t always trust its own history enough to learn from it. It was, for example, the first industry to retail packaged products and allow them to be browsed by the public before being purchased. The future of consumer insight will partly come from looking at publishing’s past more curiously.’

## CONCLUSION

*‘Nobody knows anything ... Not one person in the entire motion picture field knows for a certainty what’s going to work. Every time it’s a guess and, if you’re lucky, an educated one.’ William Goldman*

It’s not easy being a successful creative business in 2019. Even Netflix is not as unassailable as it once looked, despite its 152 million global subscribers. It’s facing increasing competition from Disney (Hulu, Disney+), WarnerMedia (HBOMax), NBCUniversal (Peacock), Amazon, Google, Apple and others for the video-streaming dollar. It’s US \$12 billion in debt and will spend somewhere between \$10–15 billion on original content this year alone. In July it reported its first subscriber loss in the US in eight years and its stock crashed 15 per cent, losing \$24 billion in value in less than a week. [The great disrupter may be disrupted](#). As [this blog post](#) suggests, the issues Netflix faces now are the same issues that traditional networks do, and the streaming wars are [only just getting started](#).

So, consumer-centricity and sophisticated data and consumer insight capabilities aren’t any guarantee of success. William Goldman’s quote is as true now as it was back in 1983

when he wrote *Adventures in the Screen Trade*. But as an industry we owe it to ourselves and our customers to burst the publishing bubble and really think about how we get closer to our readers (and, indeed, all possible readers), listen to them, learn from them, and move towards a known audience. I hope this report provokes some discussion and debate about how to do that.

I'd like to thank all of the clever, talented and passionate people who generously gave up their time to talk with me. I would also like to thank The Copyright Agency, particularly Nicola Evans and Adam Suckling, for affording me the opportunity to undertake this research project through their [Cultural Fund](#). I would encourage everyone in the industry to look into and apply for the professional development grants that The Copyright Agency offers.

If you have any questions, or would like to talk further about anything I've raised in the report, you can get in touch with me at [justin.ractliffe@gmail.com](mailto:justin.ractliffe@gmail.com).

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## LIST OF INTERVIEWEES

Michael Bhaskar, Co-Founder – Candelo Digital Publishing / author of *The Content Machine* and *Curation: The Power of Selection in a World of Excess*

Jon Bird, CEO – VMLY&R ANZ

Katie Burns, Director of Advertising – Director of Advertising for Knopf, Pantheon, and Schocken

Yusuf Chuku, Global Chief Strategy Officer – YMLY&R US

Matt Clacher, Marketing Director Fourth Estate and William Collins – HarperCollins UK

Laura Crisp, Senior Director Sales Marketing & Business Development – PRH US

Erica Curtis, VP, Marketing Strategy, Consumer Insights & Analytics – PRH US

Laura Dawson, Metadata Analyst – HBO

Alyson Forbes, VP Executive Director Marketing Strategy – Hachette US

Tomas Gonsorcik, Chief Strategy Officer North America – YMLY&R US

Alex Lencicki, VP Associate Publisher – Orbit (Hachette) US

Richard Nash, Founder and CEO – Cursor Consultancy / Entrepreneur / Executive Coach

Brian O’Leary, Executive Director – Book Industry Study Group

Jennifer Olsen, Director of Digital Product Development at Knopf Doubleday Publishing Group – PRH US

Guillaume Pech-Gourg, Group Chief CRM & Digital Marketing Officer – Hachette Livre (France)

Liz Perl, EVP, Chief Marketing Officer – Simon & Schuster US

Carolyn Reidy, CEO – Simon & Schuster US

Kerry Saretsky, Senior Director, Corporate Strategy & Innovation, Global – HarperCollins US

Mike Shatzkin, Founder & CEO – The Idea Logical Company / co-author of *The Book Business* / Blogs at *The Shatzkin Files*

Paige Smith, Director of Digital Marketing at Vintage Books, Anchor Books, and Everyman’s Library – PRH US

Michael Sussman, CEO – Brand Asset Valuator (BAV) Group

Kesley Tiffey, Senior Manager Consumer Insights – PRH US



Christian von Reventlow, Group Executive Product & Technology – Telstra / co-author of *The Digital Shift: Design's New Role as Artificial Intelligence Transforms to Personal Intelligence*

Stephanie Withers, Audience Insight Director – PRH UK

Thomas Yuhas, Senior Analyst Business Insights – PRH US

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