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How books travel: Translation flows and practices of Dutch acquiring editors and New York literary scouts, 1980-2009

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Chapter 5

**Making materiality matter:
A sociological analysis
of prices on the Dutch
fiction book market,
1980-2009**

Chapter 5

Making materiality matter: A sociological analysis of prices on the Dutch fiction book market, 1980-2009²²

In sociological and economic theories of cultural industries alike, a basic distinction is made between, on the one hand, markets for mass-produced goods such as books, CDs, DVDs, or movie tickets and, on the other hand, markets for unique goods such as visual art. In the first type of market, success manifests itself in higher sales. Prices, instead, are *uniform* across the market and *rigid*. Uniform pricing means that products are generally priced the same, in spite of differences in quantity (such as the length of a movie or CD, or the number of pages of a book) and (perceived) differences in quality: in most movie theaters, all tickets cost the same; when Pocket Books introduced its new book format in the 1930s, all titles invariably cost 25 cents and that practice has been adopted by pocket book publishers ever since; and, until recently, all songs on iTunes were priced at 99 cent. Price rigidity means that the price for each product does not change over time. In other words, (expected) fluctuations in demand for a good are not translated into price changes while changes in production costs do not result in price adjustments. For instance, when a new popular movie is released, ticket prices are the same as they are just before the movie is taken out of circulation, in spite of peak demand in the beginning and weak demand in the end.

The second type of market, by contrast, is characterized by price *differences* (on art markets, for instance, both within the oeuvre of one single artist and across different artists, works of art may have wildly different prices) and price *flexibility*: fluctuations in market demand may mean that an identical work is priced differently at different stages in its biography. In other words, changes in demand are translated into changes in price rather than sales. The latter would not be possible since these goods are unique and supply is therefore assumed to be fixed (Heilbrun and Gray, 1993).

The type of research conducted on cultural industries reflects this dichotomy: scholars of markets for, for instance, books, theater, or music have typically not been interested in prices and have instead studied (determinants of) sales and revenues (e.g., Baumol and Bowen, 1966; Bourdieu, 1993; Vany and Walls, 1997; Verboord, 2011), while scholars of art markets have left sales aside and have instead focused on prices (e.g., Frey and Pommerehne, 1989; Beckert and Rössel, 2004; Velthuis, 2005).

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In practice, however, the difference between these two types of markets for cultural goods is a matter of degree: pricing practices in many cultural industries cannot be classified as either uniform/rigid or differentiated/flexible, but are hybrid instead. For instance, movie theaters may ask a supplement for a longer movie or a 3D projection. A CD may be more expensive if its packaging is particularly luxurious; for classical music CDs, some labels such as *Deutsche Gramophon*, who have a reputation for high-quality recordings, tend to charge higher prices than labels who publish recordings by lesser known orchestras or conductors. In the concert business, some rock bands experiment with so-called dynamic pricing or even auctioning tickets to their concerts. iTunes now charges different prices for music based on its expected popularity.

The book industry we study in this article is particularly hybrid. In this market, success generally translates into higher sales instead of higher prices. And, because of the fixed book price agreement that prevails in many European countries, booksellers are not allowed to engage in price competition as they are forced to sell at the price determined by the publisher. However, book prices are not uniform as a visit to a random bookstore or browsing through books offered by internet stores learns. While a lowbrow romance novel published by Harlequin will only cost a couple of dollars, a meticulously designed hardcover edition of a Russian 19th century classical novel may cost tenfold or twentyfold, and a limited edition of a highbrow poetry book might even be in a price range usually associated with visual art. In this article, we seek to understand these price differences.

Methodologically, our study relies on a unique dataset of over 80 thousand fiction and poetry books published in the Netherlands between 1980 and 2009 and explorative qualitative data (thirteen interviews with editors and a head of production at key Dutch publishing houses). This explorative investigation enabled us to develop a set of hypotheses regarding the relationship between price and potential determinants, which were subsequently tested with the quantitative dataset.

In the first section, we briefly review the recent burgeoning sociological literature on pricing goods in general and cultural goods in particular and discuss our contribution to this literature. In the second section, we develop hypotheses regarding determinants of book prices on the basis of the interviews we conducted. The interviews suggest that pricing structures on the book market are shaped by conventions (Becker, 1984). In the third section, we describe the data that we use to test these hypotheses. In doing so, we provide a unique historical overview and contemporary snapshot of the market for fiction books in the Netherlands. In the fourth section, we test the hypotheses and afterwards discuss the results.

Book pricing in theory

Theoretically, we build on an emerging sociological literature on price formation (see Beckert, 2011; Wherry, 2008, for overviews) that shows, to put it in the words of Jens Beckert, that prices do not result mechanically from the interaction of the impersonal forces of supply and demand but instead 'from the embeddedness of market transactions in institutions, social networks and culturally anchored frames of meaning' (Beckert, 2011, p. 1). While we cannot do justice to the various perspectives within this literature, including cultural sociological perspectives (see, e.g., Zelizer, 1985 [1994], on pricing children or Zelizer, 1979, on life insurance; Fourcade, 2011, on valuing nature; Anteby, 2010, on calculating the worth of cadavers), science and technology studies (see, e.g., Stark and Beunza, 2004, on the impact of trading rooms on discovering possibilities for arbitrage), network and social structural approaches (Podolny, 1993, on price signals; Uzzi and Lancaster, 2004, on the impact of embeddedness on lawyer's fees; Baker, 1984, on the impact of network structures on the volatility of stock prices), we identify three strands that we build on in order to explain book prices.

A first strand of studies focuses on the intricate interrelations between quality and price, in particular for goods, that Lucien Karpik has called 'singularities': unique goods whose value cannot be easily commensurated. In markets for singularities, quality competition prevails over price competition (Karpik, 2010, p. 14). But, since quality is uncertain, highly subjective, socially constructed, and costly to determine, consumers face a cognitive deficit. In order to solve this deficit, consumers rely on judgment devices such as brands, certifications, ranking, or experts opinions. Price differences on markets for singularities, Karpik argues, cannot be understood in terms of supply and demand (*ibid.*, p. 209). Instead, prices are based on quality rankings that are produced in markets for singularities, resulting in a 'relation of concordance' between relative prices and relative qualities (*ibid.*, p. 217). This concordance can be found, for instance, on art markets, where experts such as critics and curators send out signals about the quality to consumers that structure demand for art and increase its price level (e.g., Beckert and Rössel, 2013; Velthuis, 2003; Bonus and Ronte, 1997). Likewise, on wine markets, prices are found to vary with formal and informal classifications of the *terroir* where the wine is produced (Rössel and Beckert, 2013; Chauvin, 2013).

On some markets for singularities, price may in itself be a judgment device. This holds in particular for markets for Veblen goods, in which the price signals a higher quality and a higher price may increase rather than decrease demand (cf. Leibenstein, 1950; Veblen, 1899 [1994]), but also for labor markets, where quality is

highly uncertain (Spence, 1974; Stiglitz, 1987). This signaling function, in turn, may influence the way prices are set. For instance, art dealers tend to price identically sized works of art made by the same artist uniformly. Otherwise, price differences can be interpreted by consumers as signals of quality differences (Rengers and Velthuis, 2002).

Fiction and poetry books belong to this category of singular goods: its quality, or its literary value, is uncertain and socially constructed. Readers use, among others, best-seller lists and reviews by literary critics as judgment devices. But, as Karpik acknowledges, there are reasons to believe that the effect of quality on prices is 'neutralized', i.e. cancelled out, on book markets (Karpik, 2010, p. 218). First of all, quality rankings are vague, instable, and contradictory, which means that they may not serve as judgment devices for readers or, for that matter, as price setting devices for publishers. Secondly, evaluations of relative quality do not result in price differences but in different sales volumes between books. Instead, Karpik suggests, prices are tied to 'the reality that creates the singularity', by which he means 'categories of books, collections or the thickness of the volume' (*ibid.*, p. 219).

However, empirical studies demonstrating either the neutralization of quality or the importance of non-quality determinants in markets where quality rankings are incoherent, invisible, or instable, do not exist. The first contribution of this article is to show systematically what determines prices in book markets. Confirming Karpik's expectations, material factors turn out to be key in explaining price differences (cf. Rengers and Velthuis, 2002). In one respect, however, quality does matter for pricing books. While it is impossible for publishers to determine the relative quality of each book published, we find that there is one rudimentary way in which publishers judge the quality of a book when setting prices: they rely on genre as a judgment device. The higher the status of the genre, the higher publishers set its price. As a result, similar to other markets for singularities, we find some evidence for a concordance between quality and price.

A second set of studies that we build on focuses on everyday pricing strategies and the formulas, routines, conventions, and devices that assist in setting prices (Çalışkan and Callon, 2010). These devices and techniques serve to reduce decision making costs and make prices predictable and understandable to buyers. As a result, they contribute to making markets and stabilizing market order (cf. Velthuis, 2005). For instance, Mackenzie and Millo have shown how the Black and Scholes formula assisted traders to price options in a scientific way, contributed to the legitimation of the option trade and enabled its further growth from the 1970s onwards (MacKenzie and Millo, 2003); Velthuis has argued how dealers in contemporary art use a pricing script, which he defines as a 'set of pricing rules, which functions as a cognitive

manual for art dealers and facilitate consecutive pricing decisions at different moments within an artist's career' (Velthuis, 2005); Trompette traces historically changing politics of value in the French funeral industry, which have resulted in different rules for setting prices (Trompette, 2013); and, in order to understand pricing decisions on the global cotton market, Çalışkan introduces the notion of prosthetic prices to show how traders use a variety of prices circulating within the market, which they use as inputs to calculate prices in the transactions they are themselves engaged in (Çalışkan, 2010).

The main price setting device that is used in the book market is the profit & loss statement (P&L), which provides an account of revenues and costs for the publication of single books. Being computed for several scenarios of book sales, the P&L assists publishers in coming to grip with the unpredictable artistic and commercial success of the book. Our contribution to the literature on price setting is to show that the P&L is not just an account of revenues and costs or a formula for 'translating' properties of books into prices. Instead, we find that the P&L prompts publishers to adjust the book's very properties. Determining the – material and immaterial – properties of a good and determining its price are, in other words, not separate, consecutive processes, but take place jointly: books and their prices are produced simultaneously. When computing the price, a publisher may, for instance, decide to change the book's size, type of paper, or number of pages.

This relates to a third strand of pricing literature in sociology that we build on, which concerns normative aspects of prices. This strand highlights that consumers do not see prices as neutral outcomes of supply and demand but actively judge the fairness of prices against different social standards or orders of worth (Wherry, 2008). Prices, these studies show, must be seen as legitimate by consumers in order for markets to stabilize (Bolton *et al.*, 2003; Haws and Bearden, 2006). In general, demand-induced price changes are likely to be judged as unfair. For instance, if artificial or sudden shifts in demand are immediately translated into higher prices, such as a price hike for snow shovels after a snow storm, this is perceived as unfair (Frey, 1986; Kahneman *et al.*, 1986). Likewise, differentiating prices on the basis of fluctuating demand for a product, such as high prices for a movie theater in the first weeks after the release, is considered illegitimate (see, e.g., Orbach and Einav, 2007).

In this article, we show that publishers use the P&L to tinker with book prices in order to render them comprehensible for consumers. They explicitly take the consumer's point of view in mind when setting prices and aim for prices that will be interpreted as fair. Since consumers cannot judge the quality of books directly, publishers assume that their main criteria for assessing the fairness of price are material criteria or visible properties of books. Our contribution to this literature is

to show that cost factors need to be rendered material and visible before they can be translated legitimately into higher prices. In order to recoup translation costs, for instance, a publisher may make the book look voluminous or give it a hardcover. Material aspects of a work should, in short, not be seen as fixed properties, but as fluid. They can be used strategically to make the price of a book seem legitimate.

Determinants of prices

The qualitative data we draw on were collected for a broader study on editorial decision-making. In total, 24 editors (28 were approached) were interviewed from publishing houses and imprints with a small or larger focus on translations. Amongst the editors were 19 of the 27 biggest publishers in fiction and poetry of 2007 (see Franssen and Kuipers, 2013). The majority of our respondents were female (19) and held a university degree in literature.

In 13 interviews, production and price-setting was discussed as part of their daily tasks. In each interview, when time permitted, a list of recently published books by the publishing house was used to ask about the reasoning between different prices. Some editors said they were not involved and did not really know (or cared, for that matter). It were especially the editors from the more commercial publishing houses that said to be involved in price-setting. Later, an interview with the head of production of a major literary publishing group was added in which the whole production and price-setting process was discussed in depth.

Our interviews revealed that the main device that editors and their colleagues use in order to calculate prices is the P&L, which is computed using spreadsheet software such as Excel. Before developing a specific hypothesis on the basis of the editors' discussion of the main building blocks of the P&L, we explain how this price setting device works in general.

P&L's are highly standardized and widely used in the book publishing industry (Greco *et al.*, 2006). They provide an account of all the book's fixed costs (e.g., jacket/cover design, translation costs, copyediting), variable costs (e.g., printing costs, author's royalties), and expected revenues (e.g., book sales). Several (usually three) different scenarios are developed on the basis of different estimates of what the print run will be. After putting all costs in the P&L, the spreadsheet computes the cost price, the break-even point, and the expected profit for different print runs. The higher the print run, the lower the cost price of the book, since the fixed costs, such as translation or marketing costs, will be divided over more books.

The estimates of the print run are based on sales of previous books by the same author or on early interest in the book expressed by book sellers. With these scenarios,

the editors seek to make the unpredictability of a book's success manageable. While a significant share of the books will turn out to have much lower sales than even the worst scenario, and will therefore be loss leading, these losses are compensated by the (unexpected) bestseller on which the publisher makes a windfall profit.

While the P&L seems to be a straightforward decision making tool, in reality it is not. If a loss results from the P&L calculations, this does not mean that the editor or publisher immediately loses interest. Usually, they will start tinkering with almost all variables, including the retail price, size, binding, number of pages, type of paper, and print run in order to make the P&L look better. This tinkering process enables editors to create the narrative they need to legitimate the selection of books that they would like to see published (Childress, 2012). Moreover, tinkering with the P&L is necessary to make sure that the resulting price is not extraordinary but accords with market conventions (cf. Velthuis, 2005, on conventional prices for contemporary art). As one editor/publisher of a major commercial house explained:

I THINK THAT [THE BOOKS WE PUBLISH] SHOULD NOT BE MADE MORE EXPENSIVE THAN 20 EURO. THAT SURELY IS A PSYCHOLOGICAL BARRIER. I THINK (...) THAT OTHERWISE BOOKS GET TOO EXPENSIVE. I HARDLY EVER BUY A BOOK THAT COSTS MORE THAN 19,95 EURO.

For these reasons, the cost prices that result from the P&L are never applied directly. Instead of simply multiplying the cost price a number of times, editors look for a figuration of price, size, pages, and binding that seem justified. Cost prices, as well as the conventional price points that editors refer to, are therefore equivalent to what Çalışkan calls prosthetic prices (Çalışkan, 2010). These prosthetic prices are converted into an actual book price in a process of price realization. In order to do so, the publisher makes use of concrete, conventional price points. They claim, for instance, that they either price a book at 16,95 euro or 19,95, but never in between (statistical evidence for these conventional prices is presented in the next section). As a young editor of a literary and commercial fiction house explained her thinking:

WHICH PEOPLE DO WE THINK SHOULD BUY IT? WHAT DO THEY WANT TO PAY? THOSE ARE THINGS YOU THINK ABOUT. AND THEN IT WILL BE 15 OR 17,95 OR JUST 21 [EURO].

In this way, the relation between the cost price and retail price is relatively fluid. While editors often have a benchmark, for instance to gain at least a 20 percent profit, there are all kinds of reasons to deviate from the cost prices as calculated through the P&L. A book might be published in a series with a predetermined fixed price such as the '15 euro editions', independent of pages or print cost. Also, they

may want to introduce a new author or boost the career of a midcareer author and, in order to do so, prefer to keep the price as low as possible. The P&L calculation of cost prices serves, in other words, as a guideline for the actual retail price of a book. It cannot be equated with it. In the remainder of this section, we discuss the main elements that constitute the cost and retail price.

Pages, size, cover

One of the determinants that editors invariably mentioned when questioned about pricing is the number of pages. The more pages it has, the higher a book's price will be, editors argue rather unsurprisingly. Likewise, they left no doubt that a hardcover edition of a fiction book will be priced higher than a softcover. Referring to the P&L, they argued that the higher price was necessary in order to recoup higher printing costs. At the same time, however, the editors acknowledged that those printing costs amount for only a small percentage of the total costs. One of our respondents detailed that the printing costs of a novel which they were about to publish with a print run of 3000, was only 1,64 euro per book and using a hardcover binding would only cost 50 cents more. Printing 1000 copies extra of the book would add only 850 euro to the costs, or 85 cents per book. Previous studies of the American book market likewise reveal that (variable) costs related to printing books only account for a small part of their retail price (Hjorth-Andersen, 2000): a hardback costs around or just 3 dollars to print and a paperback between 1,5 and 2 dollars (see, e.g., Clerides, 2002; Greco et al., 2006, p. 122-124).

However, editors argued that a big book can be priced higher since they *expect* a big book to be priced higher. As one of the editors put it: 'When they see a thick hardback, people think automatically that it is an expensive book.' Another editor, holding a thin memoir in his hand, argued likewise: 'You should not ask too much for this (...). You really cannot end up very high with it.' We therefore expect the following relationship between a book's price and its material characteristics:

Hypothesis 1:

the more pages a book has, the higher the price

Hypothesis 2:

the larger the book, the higher the price

Hypothesis 3:

hardcovers are priced higher than softcovers

Genre

Regarding genre we encountered strong differences in opinion between editors. Some of them argued that literary novels are conventionally priced higher than middlebrow or lowbrow genres such as crime fiction and romance novels. An experienced editor at a crime fiction imprint, who worked at a literary house before, said crime fiction is usually priced at 16,95 euro. Asked why they could not be priced higher he responded: '19,95 is actually a literary price', and continued to justify the higher price by a higher artistic worth (cf. Aspers and Beckert 2011). In other words, genre classifications seem to be used as a judgment device when publishers set prices. Other editors justified the higher price by referring to purchasing power ('the readers [of literary fiction] are usually somewhat richer, so you can ask more for it'). Again, others claimed that setting the price too low could send out a negative signal about the quality to the audience, saying that you cannot put a book by, for instance, the acclaimed American novelist Dave Eggers into the shop for 15 euro because customers could think there is something wrong with it, resulting in lower sales (cf. Velthuis, 2005).

However, we also interviewed editors who denied altogether that the book's genre had an impact on its price. They claimed that only material characteristics mattered. A third category took an intermediate position, arguing that genre does have an impact on price, but in an indirect way: highbrow genres are more likely to be published in expensive formats or were thicker, which allows publishers to price them higher. An editor at a commercial imprint, for instance, stated about literary novels that '[p]rice is less of an issue for those kind of books. And their format tends to be nicer; they have a more expensive look'. Likewise, an editor of an imprint specialized in fantasy compared that genre with crime fiction in the following way: '[F]antasy readers apparently spend more money on [thick books with a hardcover]. Because they really are collectors. They want to have beautiful books on their shelves. (...) But crime fiction books are (...) something that you take with you more easily, for instance in the train.'²³ We therefore test the following two rival hypotheses regarding the relation between genre and price:

Hypothesis 4a:

the higher the book's genre in the status hierarchy, the higher the price

23. In Germany, Schmidt-Stölting *et al* (2011) found, likewise, that publishing a book in hardcover has a positive impact on sales of books in the genre of, for instance, biography, but not on sales of books in other genres. They conclude: 'Thrillers are less likely to serve as symbols for consumers and are, therefore, more likely to be bought in paperback than novels.' (Schmidt-Stölting *et al*. 2011: p. 40).

Hypothesis 4b:

genres have no direct impact on price but are translated indirectly into price differences through material properties of books

The claim that non-material characteristics of a book such as its genre can only be translated into price differences through material properties was also encountered when we questioned editors about translation costs. All argued that translation costs are quite high but the responses to the question if and how these costs could be recouped differed. One literary editor explained the dilemma: '[to translate very thick books] takes long and costs a lot. [...] but then you always try to have a price which... well, the book needs to be sold. If tomorrow we ask you 35 euro for a pocket, you are not going to buy it.'

Some argued therefore that translation costs should not be recouped at all, especially for literary genres. As one of them put it: 'We don't want to make translated books more expensive, because it is already difficult to put literary books on the market, so if you were also to give them a higher price, they would have a hard time getting sold.' Expecting that consumers judge the price of a book based on its visible material characteristics, they argued, however, that those costs could be recouped by adjusting the book's format. For instance, the layout will be redesigned so that, compared to the original, fewer words fit on a page. The book will end up having more pages and can therefore be legitimately priced higher. We formulate the following two hypotheses:

Hypothesis 5a:

Translation costs are not translated directly into higher prices.

Hypothesis 5b:

Translation costs are translated into higher prices indirectly through adjustment of the book's size, number of pages, or binding.

The Dutch fiction book market, 1980-2009

We test these hypotheses by means of a database that contains information regarding retail prices and potential determinants for fiction and poetry books published in the Netherlands between 1980 and 2009. This data is collected by the Dutch Royal Library (*KB*) in The Hague, which has among its goals the aim to collect all books published in the Netherlands. The database includes all editions of fiction books that

are distributed through traditional and online bookstores and have an ISBN-code, but also books that are (only) sold in supermarkets or books that are self-published and distributed by the author him/herself. In total, the dataset comprises 64.032 unique book titles and 80.231 unique editions of these titles (often book titles have been published in different editions, e.g., in a different binding, by a different publisher, or in a new translation). Using the database, we are able to analyze the book industry in its full breadth, which is a novelty in sociological studies of literary fields (e.g., Bourdieu, 2008). In contrast with earlier studies, we are able to take into account fiction books in all possible genres, published by all types of publishers, from the large, prestigious literary publishers, to the independent small presses and the self-publishing houses where author and publisher often coincide.

Characteristics of the data

The KB registers different characteristics of new books such as the author, publisher, and title. Characteristics that we use in this article are the following: (1) the height of the book (in centimeters); (2) the number of pages a book consists of²⁴; (3) a dummy variable indicating whether the book has a restricted print run²⁵; (4) a dummy variable indicating whether the book is a hardcover edition; (5) a dummy variable indicating if the book is a translation from a book originally published in a foreign language; (6) the price in euros, adjusted for inflation and, in case of books published before 2002, converted from Dutch guilders to euros; (7) a dummy indicating whether earlier editions exist of (part of) the book; (8) an eight-fold genre-classification: poetry, literary fiction, crime fiction, science fiction/fantasy, romance, literary/crime fiction, literary/romance, and other (this category comprises smaller and more ambiguous genres such as 'regional novel', 'family novel', 'religious books', and 'war'; for the coding procedure used, see appendix).

The five main genre categories were chosen for the following two reasons: first, they have a clear position in the status hierarchy (see Purhonen *et al.* 2010; Van Rees *et al.* 1999; Zavisca 2005; Torche 2007). These categories cover the broadest range in the status hierarchy from highbrow (poetry and literary fiction), via middle brow (science fiction and crime fiction) to lowbrow (romance). Second, these genres provided a balance between parsimony, on the one hand, and breadth, on the other: 58284 books could be coded in at least one of these 5 genre-categories even with a

24. For books consisting of multiple volumes but sold as one item, the pages of different values were added. Books of multiple volumes where no pages were given were considered missing.

25. A book was regarded as being a restricted print run if either the print run was explicitly given in the description of the book or the occasion for publication (often a celebration of birth or memorial of death).

very restrictive coding-scheme. This is 87,6 percent of all books that received some genre-code from either the *KB*, the publisher, or *NDC Biblion* and 72,6 percent of all books in the dataset (see appendix for the procedure we used). However, this coding scheme caused some overlap between genres. 54113 books had one of the five main genre-codes but 4171 books were hybrid: they were categorized in two or more genres. Two types of hybrid books were retrieved very frequently, namely books which had both the 'literary fiction' and the 'crime fiction' genre and books that were categorized as both 'literary fiction' and 'romance'. We added these two hybrid genres to our genre-classification as independent genres. As a result, we ended up with seven genres. The other hybrid books were added to the category 'other'.

Conventional prices

The average price of a book published between 1980 and 2009 on the Dutch market is just over 16 euro (see table 5.1). However, the variation is huge: while many books, especially romance novels, cost just a couple of euros, literary fiction or poetry published in exclusively designed formats, sometimes accompanied by a print in a limited edition, may have prices usually associated with fine arts. Indeed, 306 books in the dataset are priced above 100 euro. The most expensive book costs 2042 euro (4500 guilders), which is a set of poems accompanied by a video and a small bronze sculpture, published in an edition of 25 on the occasion of the Dutch art fair *Kunstrai* in 2000.

Demonstrating the conventional nature of book pricing that emerged from the interview data in section 2, a small number of price points accounts for a very large percentage of all books published. For instance, since the introduction of the euro, close to a quarter of all new science fiction books have been priced at 19,95 euro, while the five most popular prices account for 52,3 percent of all new books in that genre.²⁶ For all genres, we find that we only need 18 different guilder-prices or 17 different euro-prices in order to catch more than 50 percent of all books published. This attests to the importance of conventions in setting price: books are indeed priced relatively uniform despite material and cultural differences.

Akin to price, there are a small number of different book sizes which are conventionally used in the book market²⁷. For paperbacks, the smallest size is 18 cm (which is called the mass-market paperback), followed by books with a height of

26. These prices are: 19,95 / 22,50 / 18,95 / 24,95 and 17,95.

27. In the industry, format A, B and C exist, which are supposed to be 110x178mm (mass-market), 130x198mm (called trade paperback in the US) and 135x216mm (called trade paperback in the UK). Our data shows that, in practice, these size-groups are somewhat broader.

20/21 cm and 22/23 cm. Books published in these three sizes together make up 82 percent of all books in the dataset. Size is related to the choice between hardcover and paperback bindings. Hardcover books, which comprise 17,4 percent of all books published, are generally quite big: 77,8 percent of all hardcover books is published in a size of either 21, 22, or 23 cm. Hardcover books are generally also thicker, averaging 292 pages against 238 pages for a paperback (see table 5.1).

Table 5.1: Price and size of books

| | All books | Paperbacks | Hardback |
|-----------------------------|-----------------|-----------------|-----------------|
| Mean price (in euro) | 16,35 (32,07) | 14,15 (25,06) | 23,43 (23,04) |
| Mean height (in cm) | 20,44 (3,70) | 20,01 (2,18) | 21,71 (2,09) |
| Mean pages | 236,18 (158,33) | 238,19 (140,92) | 292,06 (203,06) |

Notes: Standard deviations in brackets

The number of editions of books published in the Netherlands increased gradually during the period that is covered by our dataset, from 2035 books in 1981 to 3307 in 2009 – an overall increase of 64 percent. More than one quarter of all fiction published in the Netherlands is a reprint (often in a different binding and size, sometimes at a different publishing house) of an already existing book. No less than 61,9 percent of all works published is a translation of a book originally published in a foreign language. 5 percent of all books are published in a special, limited edition.

Regarding genre, science fiction/fantasy and romance are encountered the least and poetry, crime fiction, and especially literary fiction most frequently. The two hybrid genres are the smallest but still contain more than a thousand books each (see table 5.2). The unexpectedly high number of poetry books may result from the fact that entry barriers for writing and publishing poetry are lower. As a result, many of these are published by mom & pop publishers on the fringes of the book industry.

Table 5.2: Distribution of books across genres

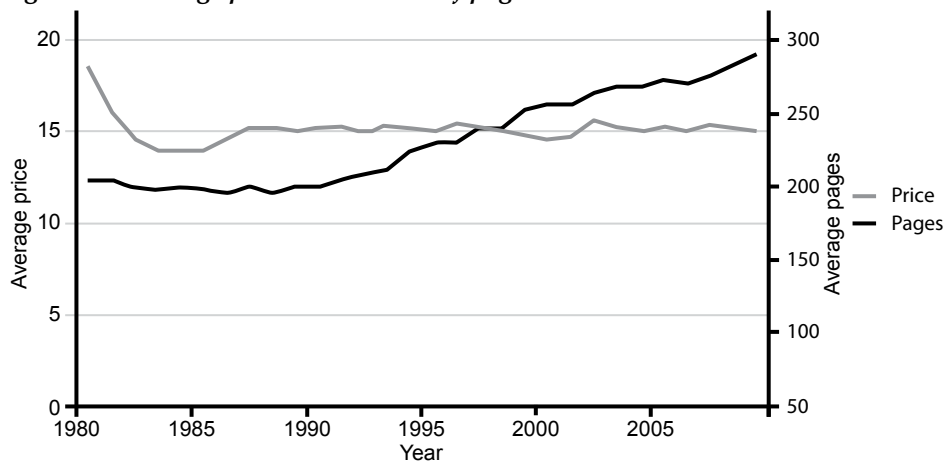
| Genre | Cases | Percentage |
|---|-------|------------|
| Poetry | 12769 | 19.19 |
| Literary fiction | 22740 | 34.18 |
| Crime fiction | 11013 | 16.55 |
| Science fiction/fantasy | 1978 | 2.97 |
| Romance | 5613 | 8.43 |
| Literary fiction and crime fiction | 1933 | 2.91 |
| Literary fiction and romance | 1231 | 1.85 |
| Other | 9258 | 13.92 |

The books were written by approximately 20000 unique authors and were published by around 1500 different publishers or imprints belonging to publishers. The most prolific author (Agatha Christie) accounted for 392 books. The distribution of books across publishers is highly skewed: the first 20 largest publishers or imprints account for 40.234 books (more than 50 percent of all books published). The 100 biggest publishers or imprints account for 79 percent of all books published, leaving only 21 percent of all books published by 1400 smaller imprints or publishing houses. The largest publisher in terms of number of book titles is Harlequin, which accounted for 9853 cases, almost invariably in the romance genre.

Changes over time

Our data show that, over time, the inflation-corrected price of books remains constant (see figure 5.1).²⁸ Simultaneously books have become thicker, with the average for 2009 almost a 100 pages more than the average in the early 1980s. Likewise, the percentage of hardcover books rises slowly from around 14 percent at the end of the 1980s to around 18 percent in the last years of the 2000s. In other words, the price per page and the price-premium for a hardcover seem to have dropped.

Figure 5.1: Average price and number of pages



Prices have been adjusted for inflation and pre-2002 guilder prices converted into euro.

28. In the graph the 306 books in the dataset which are priced above 100 euro are excluded because these books (one may call them collectables, since they are produced in very small editions and are usually accompanied by art work) are not distributed evenly over the years and therefore bias the mean price per year. The price spike in the early 1980s results partially from the high consumer price index (CPI) in these years, which inflates prices when correcting for inflation.

One reason may be that, on the supply side, the costs of printing books have decreased due to globalization and technological progress. Another reason may be a downward pressure on the audience's willingness to pay: given the increased competition over leisure time and the decreased amount of time spent on reading books, audiences may have, in spite of rising incomes, been willing to pay less for a book (Knulst *et al.*, 1996; Broek *et al.*, 2009).

Results

Since our units of analysis (books) are nested in two higher levels of analysis (authors and publishers), we tested the hypotheses developed in section 2 by means of a cross-classified multilevel model (table 5.3). This model accounts for the fact that books are not only nested in authors but also in publishers, akin to students who are not only classified by the class and school they attend but also by the neighborhood they grow up in (Leckie, 2013).²⁹ We fit the cross-classified model using Markov chain Monte Carlo (MCMC) methods as implemented in the MLwiN multilevel modelling package (Rasbash *et al.*, 2009).

In all models, the dependent variable is the natural logarithm of the retail price (adjusted for inflation and converted into euros). Model 1 is an empty model. It shows that two-thirds of the variance in book prices occurs on the level of publishers, 27 percent on the level of books, and only 6 percent on the level of authors. In other words, book prices differ mostly across the publishers who market them and hardly across the authors who write them.

Model 2 contains all control variables as well as a dummy variable for translated books. The model shows that books that are reprints of titles published before are priced lower, but we expect this effect to disappear once we also control for size and binding: reprints are usually published in smaller, less expensive formats. Unsurprisingly, given their scarcity (and presumably their higher production costs), books that are printed in a limited edition are more expensive. Translated books are in general more expensive, which is unsurprising given the higher costs involved. The control model explains no more than 6,7 percent of the total variance.

29. The dataset contains different editions of the same title, which could be considered as another level. However, as for every book a new P&L sheet is made and costs may vary between editions (depending on the way copyrights are arranged, for example) we consider the various editions of a book (if any) as independent cases. To check this assumption we ran the model (not reported here) including an extra third cross-classification of book title. The variance associated with this level was only 0,2 percent of the total variance.

Table 5.3: Cross-classified regression model of book price

| | 1 | 2 | 3 | 4 |
|---|--------------|--------------------|--------------------|---------------------|
| Year of publication | | .002*** (2.44e-04) | .002*** (2.41e-04) | -.005*** (1.82e-04) |
| Translation | | .153*** (.006) | .142*** (.006) | .049*** (.004) |
| Limited edition | | .304** (.020) | .319** (.020) | .254** (.016) |
| Published before | | -.290*** (.004) | -.293*** (.004) | -.225*** (.003) |
| Poetry | | | -.033*** (.009) | .033*** (.007) |
| Literary fiction | | | .067*** (.007) | .078*** (.005) |
| Romance | | | -.064** (.011) | -.085*** (.009) |
| Science fiction | | | .076** (.014) | -.044** (.011) |
| Other genres | | | .061*** (.007) | .013** (.006) |
| Literary fiction/ crime fiction | | | .056*** (.010) | .038*** (.008) |
| Literary fiction/ romance | | | .026** (.013) | .049** (.010) |
| Size (in cm) | | | | .150*** (.003) |
| Size squared | | | | -.001*** (7.14e-05) |
| Binding (1=hardcover) | | | | .181*** (.004) |
| Number of pages (effect per 100 pages) | | | | .001*** (9.29e-06) |
| cons | 2.700 (.016) | 2.620 (.020) | 2.613 (.019) | -.087 (.041) |
| | | | | |
| Residual Variance | | | | |
| Publisher | .284 | .269 | .263 | .180 |
| Author | .028 | .028 | .026 | .014 |
| Book | .117 | .104 | .104 | .065 |
| Total | 0,429 | 0,401 | 0,393 | 0,259 |
| Bayesian DIC | 48021.70 | 41079.21 | 40787.67 | 12125.51 |
| | | | | |
| Explained variance | | | | |
| Publisher | 0 | 5.3% | 7.4% | 36.6% |
| Author | 0 | 2.1% | 7.8% | 49.1% |
| Book | 0 | 11.1% | 11.1% | 44.5% |
| Total | 0 | 6.7% | 8.4% | 39.6% |
| | | | | |
| Observations | 60435 | 60435 | 60435 | 60435 |

Notes: Dependent variable is natural logarithm of retail book price corrected for inflation. Standard deviations in brackets, *** p<0.01, ** p<0.05 (one-sided Bayesian P-value)

In model 3, the genre classification of fiction books is added (the baseline value is the genre-dummy 'crime fiction'). The status hierarchy matches the market order, albeit imperfectly: of the highbrow genres, 'literary fiction' has a positive effect on price. Poetry books are, however, cheaper on average. The lowbrow genre of

romance is, as expected, on the bottom of the market order, but this order is, contrary to what we would have expected, dominated by the middlebrow genre of science fiction, which has the strongest positive effect on price. The hybrid genres do confirm our expectations: books that are not only classified as crime fiction but also as literary fiction, have a higher price; likewise, the negative effect of the romance genre is moderated if the book is also classified as 'literary fiction'. Genre is, however, not a strong predictor of price, since adding the dummies decreases the variance with only 2 percent.

In model 4, the full model, material properties of books are added as determinants of price: size, number of pages, and the type of binding. Since we expect that the size of a book has a curvilinear relationship with price, size is entered squared as well: one may assume that below a certain threshold size, price no longer decreases with size. After all, even for small books, a minimum price needs to be charged. Conversely, above a certain threshold, size can no longer be increased, which means that prices will start to rise steeply.

This model explains 39,6 percent of all variance. The material characteristics of a book turn out to be powerful predictors of price. In particular, we find that if the book size increases with 1 cm, the price increases with 16 percent ($(e^{150 \cdot 001} - 1) \cdot 100$); likewise, for every 100 pages extra, publishers charge 9 percent ($(e^{100 \cdot 0009} - 1) \cdot 100$) more; and a hardcover turns out to boost the price with 20 percent ($(e^{181} - 1) \cdot 100$). Hypothesis 1, 2, and 3 are thus confirmed: thick, big hardcover books are more expensive than thin, small softcovers.

While this finding may in itself not be too surprising, a striking result of model 4 is that the status hierarchy now overlaps almost perfectly with the market order based on price: literary fiction has the highest price after controlling for all other characteristics. Poetry, together with the two hybrid genres (literary fiction/ crime fiction and literary fiction/ romance), follow on a short distance. The 'other' category is closest to the reference category 'crime fiction', followed by the middlebrow genre science fiction. The lowbrow genre romance is the cheapest. In short, hypothesis 4a is confirmed. The effect of genre is, nevertheless, small in terms of explained variance.

However, there is another, indirect way through which high status genres are priced higher: through differences in material properties. As we showed above, a hardcover book is 20 percent more expensive, but not all genres are as likely to be published in hardcover format. While publishers decide to publish around 20% of the high brow genres (poetry and literary books) as a hardcover, this is only 7% for crime fiction and 11% for romance novels. Similarly, in terms of size, romance books are smaller than all other books: on average 18,48 cm, which is 1,5 cm less than the other genres. This implies that each romance novel is, just because of

its size, 24% percent cheaper than other genres. Similarly, the price premium for limited editions matters most for poetry books as 10 percent of all books in this genre are published as limited editions, compared to only 0,2% for all other genres. In short, the status of a genre is not only directly but also indirectly translated into price. The indirect effect of status is ambiguous, however: the middle brow genre of science fiction is even more likely to be published in expensive formats than the high brow genres. Likewise, poetry books may be more likely to be published in limited editions (inflating their price), they are also much thinner than the other genres (depressing their price). Hypothesis 4b can thus only partially be confirmed.

We find the same mechanism when the translation effect is considered. In the full model, this is still significant, albeit a small effect: a translated book is only 5 percent $((e^{0.0488}-1)*100)$ more expensive, or only 80 eurocents on an average book price of 16 euro. It is therefore safe to say that hypothesis 5a can be confirmed: publishers hardly recoup translation costs directly by raising the price. Note moreover that, compared to model 3, the effect has become weaker. Apparently, in model 3, the stronger positive effect of translation was caused by unmeasured material properties: translated books are generally published in a format that allows publishers to price it higher. In other words, passing on (invisible) translation costs to consumers takes place by legitimating it through (visible) material changes. Although we cannot exclude that fiction works that are translated from a foreign language into Dutch have a higher word-count, and therefore require more pages, our results suggests that translation costs are being recouped by publishing the book in a thicker format, which justifies the higher price for consumers. Hypothesis 5b can therefore be confirmed as well.

Discussion and conclusion

When consumers on the emerging market for eBooks observed that prices turned out to be only a fraction lower than those for traditional paperbacks, or, in case of new releases, even on the same level as prices for hardbacks, they responded indignantly.³⁰ The analysis that we presented in this article allows us to understand why. The moral economy of the book market is grounded in materiality: when it comes to prices, what is fair is intricately related to what is visible in terms of material properties of books. Within this moral economy, it simply does not make sense that the immaterial eBooks, which, within the consumer's understanding

30. See, e.g., <http://www.guardian.co.uk/books/booksblog/2011/aug/04/price-publishing-ebooks>; http://reviews.cnet.com/8301-18438_7-20051201-82.html; <http://www.digitalbookworld.com/2012/consumers-upset-and-confused-over-e-book-pricing/>

of the market, should be much cheaper to produce, are priced almost identical to traditional books. The response of publishers to the consumers' concerns has been to inform them about the real cost structure and to explain that the physical production costs (e.g. paper and binding) constitute only a small part of the price. However, the main contribution of this paper has been to show that, in daily pricing decisions, publishers invoke the same material, moral economy as consumers: the thicker and the bigger the book, the higher they price it, while a paperback is priced lower than a hardback. This fictional cost structure is apparently so important to them, that they let the format of the book be co-determined by the price they wish to charge. For instance, translated books are published in more expensive formats, which allows publishers to price them higher and thereby recoup translation costs. In short, it would be wrong to conclude that material costs (i.e. printing costs) drive prices of fiction books. Instead, books are priced *as if* material costs drive prices: consumers are willing to pay a higher price for thick, hardcover books, which allows publishers to price them accordingly.

Another key finding is that the status hierarchy that ranks genres from lowbrow to highbrow is reproduced in the price structure of the market: on average, buyers pay less per page, for example, for a romance novel than of a work of literary fiction. This is an important finding as previous studies of cultural industries have frequently assumed that market forces are in contrast with status hierarchies (e.g., Verboord, 2011; Sapiro, 2010). Here, instead, we show that the market reproduces them. Our interpretation of this finding, based on the interviews with publishers, is that they seek to translate quality differences into price differences, and use genre as a judgment device to do so.

While we draw on new literature on valuation and pricing on markets for so-called singularities, and most importantly on Karpik's (2010) seminal contribution, our analysis also suggests a warning to this literature: we find that once they have decided to publish a work of fiction, publishers make no attempts to assess its quality on a case by case basis in order to determine the price. They only assess quality categorically by looking at genre. In other words, the concordance of price and quality, according to Karpik one of the characteristics of markets for singularities, is mostly absent in the book market. He claims that this may happen on markets where rankings are not visible, instable, or contradictory. Our explanation is different: relying on materiality instead of quality when pricing goods, allows producers to create market order and to make their prices seem fair to consumers.

One drawback of our study is that the qualitative data on which our understanding of price-setting conventions is based were collected in the late 2000s. We cannot exclude, in other words, that different pricing practices prevailed earlier

in the time span that our quantitative data considers. Also, it may be the case that the status and reputation of authors and publishers have an impact on book prices as well. However, our data do not allow to make any claims about that since they do not measure status and reputation.

Another drawback is that our data do not allow us to investigate if and to what extent sales have an impact on price setting. On the one hand, on the basis of the publisher's main pricing device, the profit and loss statement, one would imagine that books which are expected to sell well are priced lower since fixed production costs can be recouped by more copies sold. On the other hand, we expect that books written by a best-seller author will be priced higher in order to make an extra profit from strong demand. However, in the moral, material economy of the book market which we have identified, this would require that these (potential) bestsellers are published in more expensive formats which make their higher price look legitimate.

Future research should moreover bear out to what extent our findings for the Dutch book market can be generalized. As the publishing industry is highly internationalized, we expect to find similar decision making processes in other countries. Indeed, the role of the P&L as a price setting device has been found in studies of the American book market (Greco *et al.*, 2006). In countries where there is no fixed price regulation for books, such as the US, price-setting might be more competitive. In markets where genre-hierarchies are stronger, such as France (Janssen *et al.*, 2008), genre-differences can be expected to be greater and its effects stronger. But, given the strong hostile response among consumers that eBook pricing has ignited in a wide variety of countries, we expect that our main finding - the justification and understanding of book prices in terms of material properties - is not confined to the Netherlands.