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Beyond the Book

A podcast series on the business of writing and publishing

Interview with Nicholas Lovell, Author, *The Curve*

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KENNEALLY: There is a new way of doing business that everyone in publishing needs to understand, says Nicholas Lovell. Customers today come in a wide variety, from freeloaders to super fans. What's also changed is why people ever pay for anything. The trick that will lead to success, he writes in his new book, *The Curve*, is to understand how you can sell to all in a world where everything is free.

Nicholas Lovell joins me now from London. Welcome to Beyond the Book. Nicholas.

LOVELL: Hello, Christopher.

KENNEALLY: Well, we're very happy to have you join us today, Nicholas, and we'll tell people that you are a former investment banker and help companies make money from the transformative power of the internet. Nicholas Lovell's blog, Gamesbrief, gets 20,000 readers every month who seek to learn how digital distribution is transforming the games industry and how to apply that knowledge to other entertainment industries. Lovell's clients have included game companies like Atari and Firefly, as well as media companies like the UK's Channel 4.

Nicholas Lovell is a columnist for Gamasutra and a regular contributor to *The Wall Street Journal*. So, Nicholas, this is a question that is bedeviling everyone in business today but none more than the media business, and publishers and authors really are struggling to understand how they can survive and thrive when they are told all the time that information wants to be free. So, help us understand and tell us the thinking behind *The Curve*. What's going to happen, what needs to be understood that's going to get people to be paid for their work?

LOVELL: So, thank you very much and thank you for those questions. The way I think about not just *The Curve* but how businesses will work in the 21st century is start by thinking about what the web enables. So, one of the things the web enables is to make it really easy to share stuff, and when it becomes really easy to share stuff, it becomes increasingly hard to charge for that stuff, but it also enables us to build one-to-one relationships with our audiences and customers in a way that's not ever been possible before. And to a large part, the media industry – I mean the business – commercial bit of the media industry, not the creative bit – exists to connect creators with their audiences.

And on the one hand, it's much harder to charge for because it's easier to do than ever before but on the other hand, there's this new opportunity to take advantage of these one-to-one relationships. And so, the heart of *The Curve* is basically, say, use three things. One is use the power of free to find your audience – they're going to get your stuff for free anyway, so you might as well find a way to use that to your advantage –

KENNEALLY: And to maximize the size of that particular audience, I would imagine.

LOVELL: Absolutely, absolutely. It is a commonplace that – I think it was Tim O'Reilly (sp?) who originally said this – that obscurity is the greater risk to beginning authors than piracy, but clearly, piracy is a big problem to established people who were making lots of money in the physical world and fear, like we've seen in the – both music and the newspaper industries – that digital dimes replace physical dollars, and that is a very real risk. So, you get a bigger audience with free. As I say, it's going to happen illegally anyway. How can you use that to your advantage on the positive side? Use technology to work out what your customers want and to a large part that's about changing your thinking. So, instead of trying to think how many books you sell, you go, how many customers do I have. Instead of thinking how many units sold or what's my average selling price, you think what's my average revenue per user. So, it's an entirely different way of thinking about your relationship with your audience and fans.

And then the top end of the curve, the third piece, is about how you allow those people who love what you do – I call them super fans – other people have called them (inaudible) fans and other phrases – but to allow people who love what you do to spend lots of money on things they truly value. And that last phase allow the people that love what you do to spend lots of money on things they truly value. People who hear me speak get fed up with that because it's really a different way of thinking about what you sell. Instead, you're saying here's what I've written – take it or leave it. You start going, there's a whole bunch of people who want to read that stuff, but there are others who will value more.

I can go on about this for ages, but some people like the physical book because it's something they can display on their shelves. They can show it to other people. They like the physical tactile nature of it. Other people just want to read your book to see if they're interested or not. If we start thinking of different ways of selling those experiences to different people, we're on to a start, but the paperback, the hardback, the limited edition hardback – that's only the beginning.

In my world of games, which is where my expertise is from most recently, we get people who pay ten times the average – 100 times the average – 1,000 times the



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average – so, people spending \$10,000 in the course of their relationship with a game in a single year, and publishers and authors have to start thinking about what it is that a big fan will start paying those big sums about, because I don't think the future is about selling more copies. It's about selling copies at very different price points depending on the relationship you have with your fan or customer.

KENNEALLY: Right. Well, Nicholas, what fascinated me about the book is the way it really ties together a lot of currents in thinking out there in publishing, and the point that you make again and again is that we're talking about a continuum here. This is not sort of siloed various worlds. To understand the marketplace, one has to think of it in that kind of spectrum way, and so there is, as you say, these various points along the curve but it really is a continuous band of opportunity. Can you expand on that thought?

LOVELL: Absolutely. The easiest example for that is the games world because games makes it so easy to have that really granular relationship with its customers. So, I'm sure your listeners, even if they don't play Grand Theft Auto or Call of Duty, are aware of games like Candy Crush Saga or Heyday or Clash of Clans or any number of games available on Facebook, on the browser, or on your smart phone, and those kind of games are good illustrations of what we talk about. I'm not talking here about the literary or creative judgment. I think fun is in the eye of the beholder, and I think we've got a long way to go before we say games have advanced as far as they can.

What I am saying is that a game builds a one-to-one relationship with a customer on a very, very granular basis because each customer can be interacted with differently, and over time many players of a game will never spend any money. Seventy percent of people who finish Candy Crush Saga have never spent any money at all. That's over 400 levels and many weeks of game play, but they've never spent any money. And at the other level – I don't know the figures for Candy Crush – but with my clients, we have customers who've spent hundreds, thousands or even tens of thousands of dollars, and they're often spending – and what they're buying is virtual goods.

I actually think that a book is basically virtual good. It's the ideas contained within the book. It's the experience that the book gives you – the experience that the games give you. And people are paying for any number of things – self-expression, status, trading time for money, convenience, a whole bunch of other areas. What the games industry is able to do because it has this really granular one-to-one relationship with its customers is allow people to spend as much or as little as they like in increments of a single dollar. The book industry still hasn't got there. Most publishers and authors don't have their own customer relationship or CRM system.



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They generally have to sell discreet products. They might sell an e-book and a paperback and a hardback and a signed hardback.

For *The Curve*, there's an infographic about the ideas in *The Curve*, which we're going to share for free. There's a much higher res version of that, which we're going to sell as a poster. There's a more expensive framed poster, which we're going to sell. We're going to do lunches and we're going to do consulting days, and we're trying to show – there's going to be a free e-book, which I'm currently writing at the moment and it's just about finished, so it will be ready by the time this podcast goes live – which talks about a lot of the ideas in *The Curve* and it's intended to be stand-alone. It's not intended to be an abridged version. It's not intended to be a – here's the first chapter but if you want the rest, you've got to pay up. It's intended to say this is valuable in its own right. If you like it, please share it. If you really like it, please go and buy my book.

KENNEALLY: Right. And so, it's not only the audience that's in a spectrum of opportunity but the products themselves have to correspond to that. You can't simply write a single book – a single work. You've got to think about the various ways the book – the work – can be offered to those various audiences.

LOVELL: I think so. I think that one of the potential downsides of thinking of the world in the way that I do is that most, if not all, creators will have to have more commercial awareness than they did previously. I mean a lot of authors already were very commercially aware, but in this world it becomes more important. We decided that we needed an e-book to help support *The Curve*, so I had to go away and write an e-book and it's going to be free, and it's part of the marketing channel, and it's an important piece of the marketing channel and I don't get paid for that. And one of the reasons we're doing it is because we don't have – I'm a first-time author in the traditionally published space – I'm an existing self-published author – but I'm a first-time author in the traditional space, which means that we don't have an established CRM system of tens or hundreds of thousands of customers who we know want to buy my book.

So, by putting a free e-book out, we hope to subvert the CRM system of Amazon and Apple's i-books. So, people download this book and then Apple's algorithms and Amazon's algorithms will start saying to them hey, you've got this free e-book, how about this paid-for book from the same author, which hopefully, will be well reviewed and well liked and popular and so on. And we're starting to look for different ways to build that CRM system.

And then at the other end – at the more super fan end – we're sending people to either thecurveonline.com or nicholaslovell.com, where we hope the people who love what I do give me their email address and I'll send them interesting blog posts,



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and over time, I build a relationship where they think it's worth paying me more than \$16.99 or – sorry, that's the UK cover price – I'm not quite sure what the US cover price is going to be yet – but those kind of figures. We hope that some people build a relationship with me where they want to spend more than that over time.

KENNEALLY: Right. Well, I'm sure there are people listening on the call – authors and publishers – who wonder a little bit about just what's in the e-book that's not in the regular book. I know you're working on it, but can you tell us briefly how many words you're thinking this should be. Just help people understand the concept a little bit better. So, it's complimentary. It is a chapter that is sort of – that didn't wind up in the book itself. What is the e-book about?

LOVELL: Well, it's not that. So, it's not a reject from the book. I know that's not quite what you implied, but that might have been what people heard. So, it's not that. One of the really interesting things that's happening is that a book should be 300 pages because that's convenient for printing and that's about the right size that people consider right if they're going to pay \$10 or something for a book. An e-book can be as long as it needs to be. One of the most useful books I've read recently in e-book version was the story of the antitrust case. I think it's called *The Battle of \$9.99* – the Department of Justice and –

KENNEALLY: Can I just tell you – the author is Andrew Albanese, a regular on Beyond the Book –

LOVELL: Oh, right, right.

KENNEALLY: – and so, we're delighted to hear you say that. That's great.

LOVELL: So, I found it incredibly useful and it was exactly the right length because it was as long as it needed to be, and it was as long as it needed to be to tell the story, and when he finished telling the story, he stopped. And if it had been traditionally published, he'd have been encouraged to pad it out with another 200 pages, which would have been unnecessary and I still paid for it and I paid – I can't remember what it was – I think it was £2.99 – and I was delighted because it was the length I needed for the stuff I wanted.

So, that's one thing which is the e-book – is that it's as long as it needs to be. It's going to be somewhere between 5,000 and 10,000 words. It's up at the top end now and we're going to a final pass and I prefer my final edit to make something shorter, not longer, so it will be somewhere between those two. And it's basically an introduction to the concepts of the curves and because I'm a blogger by background, it's going to have an element of a list format, as well.

So, the title, which we're playing with at the moment is *Free Stuff – 10 Ways to Save Your Livelihood* – so, we're going for the reasonably click, friendly title – easy to share – and the idea is it does introduce you to some of the concepts in the book. It introduces the idea of free, using technology to find your audience of super fans. It helps you understand why the transition from physical to digital is about more than saving cost. It's about a fundamental change to how we think about risk and explaining the way in which the entire business of content creation has been optimized to minimize risk, when a number of those risks are not as big as they use to be. There's still plenty of risk in content creation, but some of the costs required – involved in that are much smaller.

It introduces the ideas. It's got some new illustrations. It's pithy enough that somebody who's in a hurry can get a lot of the ideas of *The Curve*, but I don't go into the – a lot of the ideas in *The Curve* come from evolutionary biology – from behavioral psychology. I don't go into any of that background. It's a bit more pointed and punchy, but if you want to know whether or not you agree with the underlying, you need to read the book. If you want to get the top line ideas about what the book's about, the e-book will take you a very long way.

KENNEALLY: Well, some helpful tips there on how to sell in a world where everything is free, and I want to transition down to this notion of super fans, Nicholas. And at least in games world, you have seen that super fans can be the answer, and I wonder what you've learned from your experiences there and particularly, how you think the concept of super fans can translate to the book business.

LOVELL: OK. So, super fans and the idea of standing out, being remarkable – remarkability is something which Seth Godin has written about extensively. I think that the way we are transitioning as we come into this digital world is that the big are getting bigger. The big shared experiences, which you don't necessarily need to be a super fan to experience. Whether it's reality TV, the Super Bowl, or whatever – they're just getting bigger than ever before. At the other end of the spectrum, it's becoming more possible to seek out the stuff that you are really excited by and connect with it, and that niche – and those niche can be very big. I count *Dr. Who* as a niche. I count *Grey's Anatomy* as a niche.

Those niches can get very, very big, but it's about allowing people to start seeing their relationship with this content transition from just being I'm a reader to why I'm a fan to this has become a hobby – having a detailed knowledge about beyond just the confines of a single book, whether that's collecting all the books in a series. I have one or two series where I bought the book – and it was some of the Sharp books by Bernard Cornwell – when I bought a couple of books when they came out and realized they didn't match all the others, so I eventually cracked and had to go



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and buy two in the same livery, so that all my Sharpe books are the same, which isn't necessarily how all super fans will behave, but it's looking for those kind of behaviors. Some people want first editions. Some people want something that is special – whether or not it's signed by the author – whether or not it's got extra material in the back – whether or not it's something which – as we start owning fewer books physically in the same ways we own fewer pieces of music physically, the ones that we do choose to own we need to be able to display in our household in a way which says look at me, I'm the kind of person who reads these kind of books. That means if you want a physical book it needs to become over time more of an artifact. That's something –

KENNEALLY: I was going to say, Nicholas – and you mentioned it earlier – that the experience can also be about the interaction with the author, so –

LOVELL: Absolutely.

KENNEALLY: – and someone's going to be able to, I suppose, find an opportunity to have lunch with Nicholas Lovell.

LOVELL: Exactly. So, we're definitely offering sort of lunch days as part of the launch of *The Curve* and we'll be doing – and many non-fiction authors do consultancy anyway and that's going to be packaged up in our idea of *The Curve*. But I think you can also imagine a guided tour of downtown Baltimore by the creators of *The Wire* or somebody who writes historical fiction set in particular towns or romance in a particular place – where you can imagine a whole weekend away, which is mainly not done by the author – so, come and see the different locations or place which you think of interest which the author could help curate, basically – here's where I researched my gritty Glasgow underworld novel – but the highlight of the event might be a dinner, a lunch, an event with the author.

I talked to somebody who was doing a Jane Austen companion app. This is a while back, so I don't actually know where it went, but I wondered whether or not it might be more interesting to make the companion app – mainly give it away for free or certainly have a free version of it and make more money from arranging guided tours of the kind of parts of England where Jane Austen set her novels, because Jane Austen is somebody who unequivocally has super fans.

KENNEALLY: Indeed. And I think the last question I want to ask you about is really the kind of a – help me understand how urgency plays a role here because one of the things you mentioned is that it is now so much easier than ever to distribute your content, so the competition has grown tremendously. There's a spectrum of competition along with that spectrum of products and spectrum of audiences, and I



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guess the point is if you don't get to those people, someone else is going to get there before you.

LOVELL: Absolutely. So, I think there's a really interesting question about how fast you should go free. So, I'm releasing my book with Portfolio Penguin. The e-book is going to be – the full e-book – is going to be a paid-for release because we're not at the stage when all books have to be free yet. *Grant Theft Auto* comes out in September. *Grand Theft Auto 5* is not going to be free and it's going to be the biggest entertainment launch in history, likely to make a billion dollars in its first year. So, you don't need to be free but I believe that free is coming, and even if free doesn't come, enabling the people who love what you do – your super fans – to spend lots of money on things they really value is not only good business, it makes your super fans happy by giving them things which they appreciate and value.

So, my view is that you plan for everything being free. You don't necessarily race to be the first to be free except when somebody has fully nailed down the super fan strategy, they will suddenly realize that by going free, they will get a massive audience. In web terminology, they will widen their funnel for their conversion, and if you are behind in figuring out the super fan strategy, you'll be left there with people who are putting their product out for free knowing that they can make money from that free product and you will be left in a difficult place. So, that's why I think it's worth experimenting with this stuff now. It's not the case where you have no choice. I think that day may come.

KENNEALLY: Well, indeed if it does, we'll come back to you and learn what to do next, but in the meantime, learning how to make money from free sounds like a great idea to us. We've been talking with Nicholas Lovell, the author of *The Curve*. He's joined us today from his office in London, and Nicholas, thank you for joining us today.

LOVELL: Thank you very much.

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