The AUTHOR-PUBLISHER Relationship in a Changing Market

Risks, Rewards and Commitment

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Executive Summary

Self-publishing has dramatically changed the freedom and control authors exercise over their writing careers. The self-publishing successes of top-selling and midlist authors have made it possible for many of them to earn more income from their writing and have raised questions about why authors need publishers. Last year's report based on the 2014 Digital Book World and Writer's Digest Author Survey explored the advantages that traditional publishers offered authors. We found that few of the model's touted benefits—better distribution, marketing, or quality—were fully realized by the majority of the authors in our sample. Moreover, we found few meaningful differences in the performance of books that came from traditional publishers and self-published authors.

Then came the Hachette-Amazon feud, going public in May 2014 and capturing the attention of the book world until the dispute's resolution six months later. Framed in terms of ebook pricing but really a battle over profit margins, the increasingly public standoff pushed to the fore and reframed questions about the role of traditional publishers and their value to authors, many of whom made impassioned cases on behalf of either disputant.

One of the chief claims on which Hachette and its backers staked traditional publishers' existence was in taking on risk—like a venture capital firm—for worthy books that would not otherwise be published. What counted as such a book was as often framed in these debates in terms of cultural, artistic, or intellectual merit as of economic reward. But those who saw value in publishers' performing this function tended to view the business proposition as mutually beneficial: Those titles would go on to succeed in the marketplace and produce steady long-tail revenues, while authors would receive advances allowing them to undertake work that doesn't yield an immediate payout. Detractors tended to reckon instead that the financial benefits of such a model are asymmetrical, slim, scarce, or shrinking.

This year, we take the primary question raised by that debate, coupled with the results of last year's survey, as a starting point and ask: What is the nature of the various publishing business models? Who takes on risk and how much? What are the rewards, and how are they split? And finally, given these arrangements, what do authors really get in the end?

The report presents a conceptual framework of different modes of publishing based on allocation of risk and distribution of rewards. Using responses from the 2015 Digital Book World and Writer's Digest Author Survey, the report demonstrates the utility of this this framework for more clearly understanding arrangements and for delineating the potential mismatches between what authors want and what they are likely to get from these different publishing models.

Conceptually, we might imagine the various publishing options open to authors as existing along continua of risk-sharing, reward-sharing and investment. On one side of the risk continuum is the self-publishing model where the author takes on the entire burden of risk for a project, making all of the necessary investments. At the other extreme, the traditional publisher shoulders all of the risk (and pays the author up front). Across the risk continuum, investments in projects can range from low to high, as measured, for example, by decisions about production cost and quality, print and digital distribution and marketing and promotion. The division of rewards from a project follows a continuum as well, with all profits to the author on one side and all to the publisher on the other (as in a work-for-hire model). Finally, while these patterns of risk and reward are closely entwined and impact the levels of investments that different types of publishers or indie authors tend to make overall, publishers and authors also make investment decisions on a project-by-project basis.

In the 2015 Digital Book World and Writer's Digest Author Survey, we see a variety of combinations of risk-sharing, reward-sharing and investments for authors' most recently published projects. This report will look closely at some of the more common risk-sharing arrangements (risk on publisher, risk-sharing and risk on author) and profile the types of publishers and authors most common to each. Among these models of risk and investment, we consider the differences in expected and realized rewards, looking again at common arrangements (more reward to publishers, reward-sharing, and more reward to authors). Having delineated the differences between types of publisher in terms of risks and rewards, we then turn our attention to the difference in sales and earnings for authors engaged in these different modes of publishing.

Next we consider the varying levels of investment on the parts of both authors and publishers, looking at the range both within and between these types of risk and reward arrangements. We examine how differences in investments within such arrangements correlate with sales and earnings.

Finally, we consider the way authors' sales and earnings relate to authors' satisfaction and their future publishing decisions.

SURVEY SAMPLE

The 2015 Digital Book World and Writer's Digest Author Survey is distributed to a voluntary sample of authors. While we do not know how representative the respondents are of all authors, this year's sample offers variety in the type of author, their publishing choices, the length of their publishing careers and their productivity.

While 2,545 authors responded to this year's survey, this report will focus on the 1,879 published authors who completed the survey. More than half of this author sample group has only indie-published (55.8%, n=1,049), 13.0% have only traditionally published (n=245) and close to a third (31.1%, n=585) have done both. The sample includes a mix of both experienced and relatively new authors as well as a mix of prolific and less accomplished authors. Compared to the other two types of authors, the hybrid authors in the sample tend to be older and to have had longer and more prolific careers. The vast majority of authors in this study reported that their latest book was fiction, with romance representing the most popular category both for traditional and for indie publications. Thus, the results of this report will be most applicable to genre fiction publishing. The "average" respondent to the survey (based on median results) is a college-educated woman in her mid- to late-forties who indie-publishes genre fiction, most likely romance, has published three books and began publishing in 2011.

The number and variety of authors in the sample provide sufficient variation and depth to meet the objectives of this study, namely to characterize the various types of publishing options in relation to risk, reward, and investment and to look at how these aspects of publishing relate to and deliver on what authors want. In all, a total of 830 respondents provided information on their most recent traditional publishing experiences, and 1,634 respondents provided information on their most recent indie-publishing experiences.

Table 1 | **PUBLISHED AUTHORS' ANNUAL WRITING INCOME (%)**

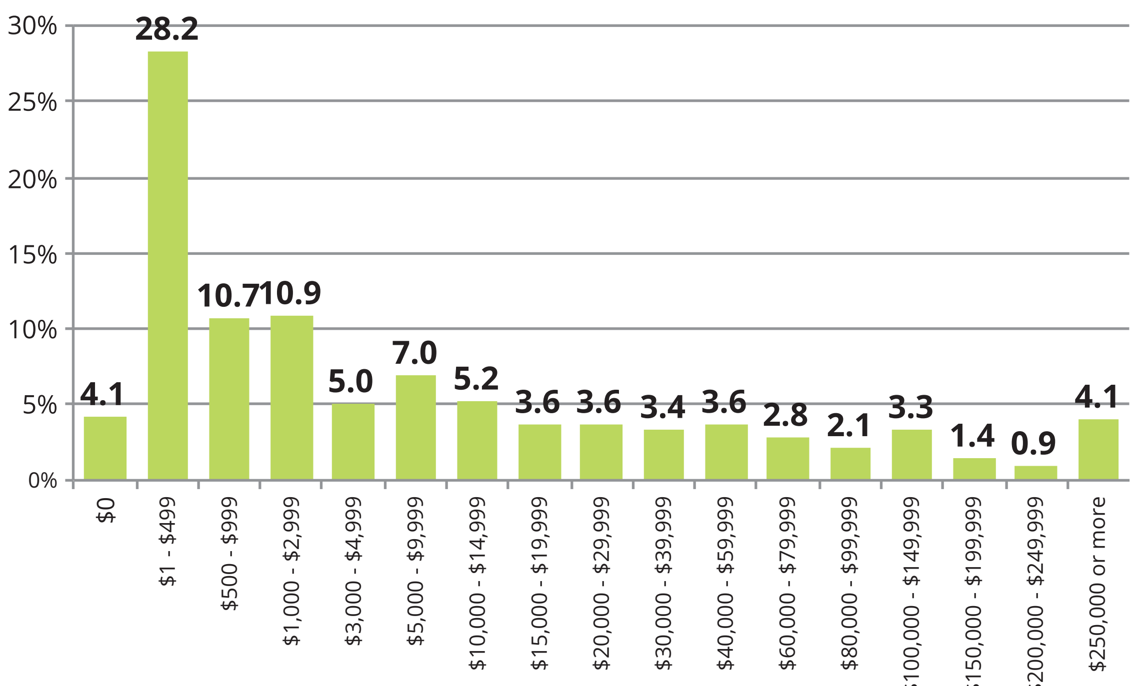
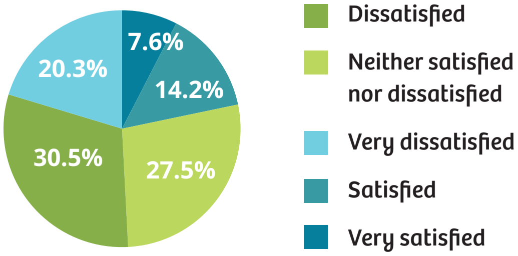


Table 2 | **SATISFACTION WITH ANNUAL WRITING INCOME**



WHAT AUTHORS WANT

The survey asked authors about their publishing-related priorities and about their writing income. The published authors responding to this year's survey placed high priority on publishing books that people will buy, building their careers as authors, sharing their stories, and making money from their writing. Based on these priorities, it seems the authors in the sample have a longer-term view of their careers as authors and the business considerations driving them.

By these measures, though, being an author is hard-going for a great many, with the monetary outcome of each publishing model leaving much to be desired on average.

Hybrid authors earned a median annual income from their writing of about $7,500–$9,999, compared to a median of $3,000–$4,999 for those who had only traditionally published, and $500–$999 for indie-only authors. Overall, half of the writers in the sample earned $1,000–$2,999 or less while half earned this amount or more. Close to 10% of this year's authors reported earning $100,000 or more, with 4.1% earning $250,000 or more.

About half of respondents were dissatisfied to very dissatisfied with their writing income, while about 21.8% were satisfied to very satisfied, with the remainder of respondents neither satisfied nor dissatisfied.

This year's results are consistent with last year's findings that most authors don't make much money from their writing. Yet, it presents a rosier outlook on the proportion of authors who can support themselves or earn a substantial income from their writing. Whether or not the proportion of success stories are overrepresented in this year's sample, they provide a wealth of information to help us understand which publishing arrangements provide the greatest opportunities for authors to meet their goals and why.

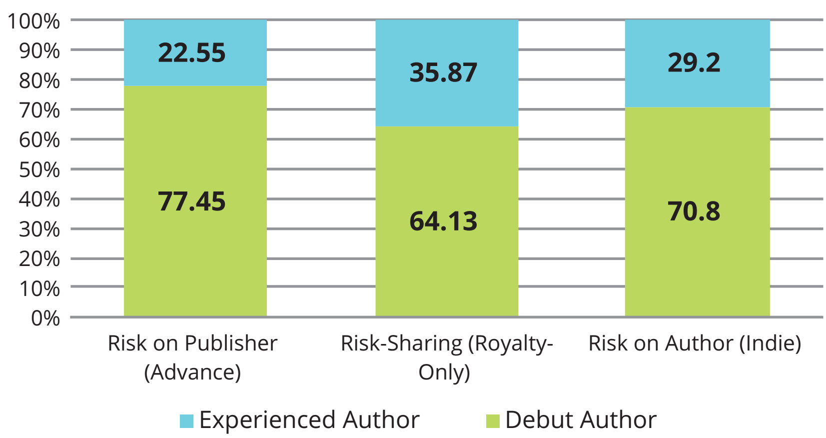
Publishers offering advances are less likely to take risks on debut authors and authors without agents than are royalty-only publishers and indie authors.

ALLOCATION OF RISK

While traditional publishing always involves having a publisher, in indie publishing authors may publish on their own, or they may publish with a vanity press or even through their own companies. While the range of methods and resources outside the traditional publishing model is wide and growing, making “indie publishing” a sometimes problematic, broadly encompassing term, one key remaining difference between the two modes of publishing concerns the locus of risk—more on the author or more on a publisher.

In indie publishing, whether by the author alone or through a publishing entity or an assortment of entities, the author bears all of the risk or cost for a book project. In traditional publishing, the author does not pay to publish. However, even within traditional publishing, there are differences in the relative level of risk to the author and publisher. In the royalty-only model, authors don’t pay anything and the publisher bears any costs associated with the project, but authors are also not guaranteed any payment in exchange for the rights to their work—a risk-sharing arrangement. In the advance model and in the work-for-hire model, a publisher pays an author up front, providing payment to an author regardless of a book’s market performance. In this model, authors bear less risk than in the royalty-splitting model, while the publishers bear more.

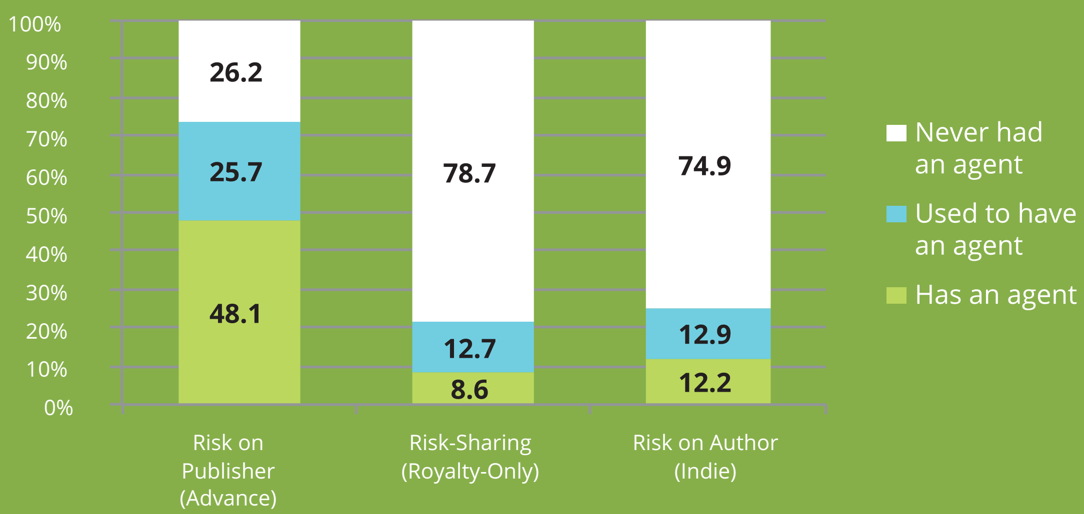
Table 3 | RISK ARRANGEMENTS FOR DEBUT AND EXPERIENCED AUTHORS



Consequently, we can consider most publishing arrangements as corresponding with one of three models of risk: burden of risk primarily on the author (indie publishing), risk-sharing between the author and publisher (royalty-only), burden of risk primarily on the publisher (advance-payment model).

Certain types of publishers are more likely to assume more risk in the publishing relationship than others, but they are also likelier to be selective about the kinds of authors for which they will take on risk. Indie-publishing and royalty-only risk-sharing arrangements between publishers and authors have risen in visibility and acceptance in recent years.

Table 4 | **RISK ARRANGEMENTS FOR AUTHORS WITH AGENTS**



That could be one reason why authors who have published in the last few years more readily embrace these modes of publishing than their more seasoned counterparts. Moreover, smaller and specialty publishers are more likely to utilize royalty-only arrangements, while New York's Big Five (Macmillan, Hachette, Simon & Schuster, HarperCollins and Penguin Random House) and other large , well-established publishers are more likely to use advance-payment models and take on larger risk burdens.

Publishers offering advances are less likely to take risks on debut authors and authors without agents than are royalty-only publishers and indie authors. Publishers with risk-sharing models are more likely than advance-paying publishers, and slightly more likely than indie publishers, to publish books by debut authors, perhaps suggesting the appeal of risk-sharing over risk-bearing for publishers and authors taking a chance on an unknown quantity.

Finally, publishers paying advances are far less likely to select authors without agents compared with risk-sharing publishers, while authors with royalty-only arrangements and indie authors are almost equally likely not to have agents.

In summary, the authors in our sample who were proven quantities—with longer publishing careers, previous experience in publishing or an agent—were more likely to have publishers assume greater risk in the publishing relationship. In contrast, debut authors, authors who started publishing in the last few years and authors without agents were more likely to self-publish and take on the risk themselves.

This finding places into context the contention put forth during the Amazon-Hachette dispute on behalf of traditional publishers that those well-established players function as venture capitalists in the marketplace of authors. While publishers do take on considerable up-front risk on a great many projects, they tend to do so primarily for authors whose work is already proven to perform well. From the business perspectives of such publishers, this is only to be expected, but it does qualify the "venture capitalist" argument and lends considerable motivation to newer authors to pursue other means of bringing their work to market—in other words, to take risks on themselves.

DISTRIBUTION OF REWARDS

Not only do the models of publishing considered in this report differ by the locus of risk, they also differ in terms of distribution of rewards. As with the allocation of risk, we may also consider the distribution of rewards as existing along a continuum, from all profits accruing to the author to all profits accruing to the publisher.

Advance-paying publishers may take on a higher burden of risk, having paid authors up front, but they also demand a greater share of future rewards, offering lower royalties to authors (or none in the case of works for hire) and staking claims to future opportunities through rights ownership.

The risk-sharing arrangement of royalty-only publishers involves greater reward-sharing, where authors receive a greater share of royalties and may retain greater control over rights. Publishing through a company an author pays, or vanity publishing, can also follow a reward-sharing arrangement. We would anticipate that the author, who bears the burden of risk for the project and has paid the publisher up front, would claim the lion's share of the reward, but royalties are often shared with vanity presses, too. When authors publish on their own or through their own publishing entity, all reward accrues to the author.

The allocation of risk and the distribution of rewards are close reflections of one another. For the most part, publishers and authors who take on greater risk for their projects also expect greater rewards. The exception seems to be publication by vanity presses, where indie authors tend to take on all of the risk, even paying fees to the publisher up front, but then may also share the reward.

We consider anticipated rewards and their distribution in different publishing models, both in terms of royalties from sales and in terms of opportunities from rights retention. We show that publishers lay claim to a greater portion of these potential income streams consistent with their risk arrangements: advance-paying publishers retain more rights and hold them for longer, and they offer lower royalty rates on ebooks (20–29%) than do royalty-only publishers (30–39%). In contrast, indie authors retain all of the rights to their work and a high level of royalties.

Table 5 | NUMBER OF COPIES SOLD OF MOST RECENTLY PUBLISHED BOOK

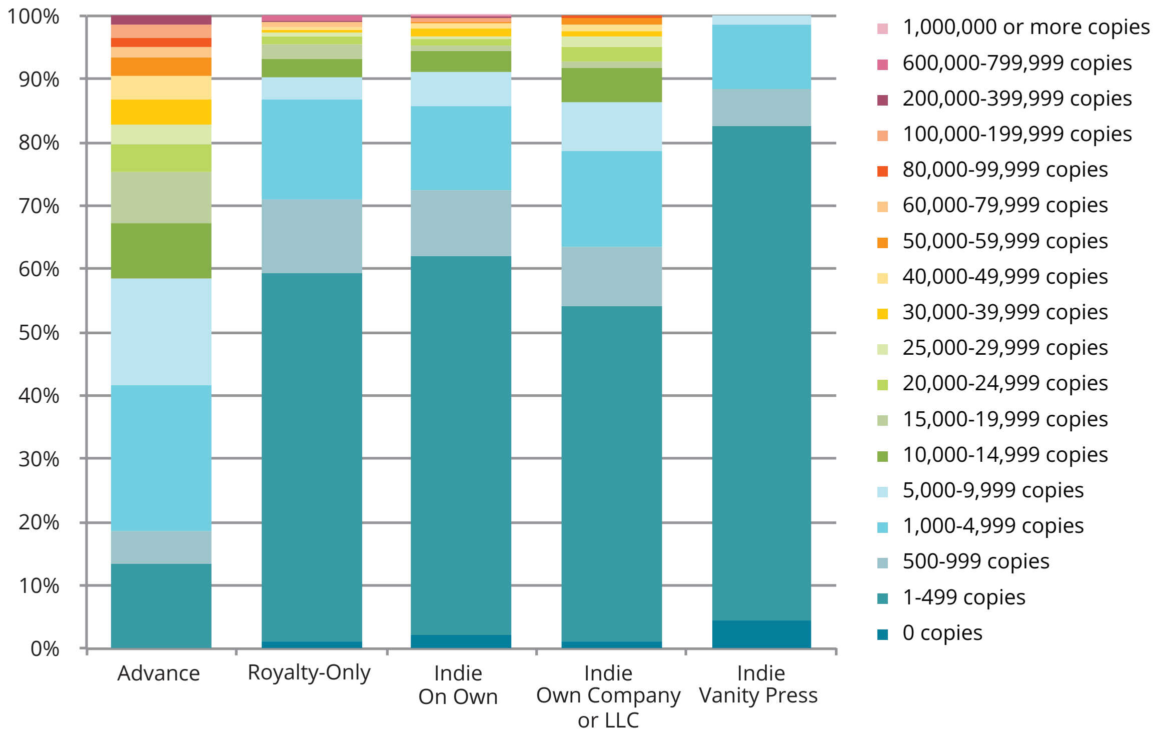
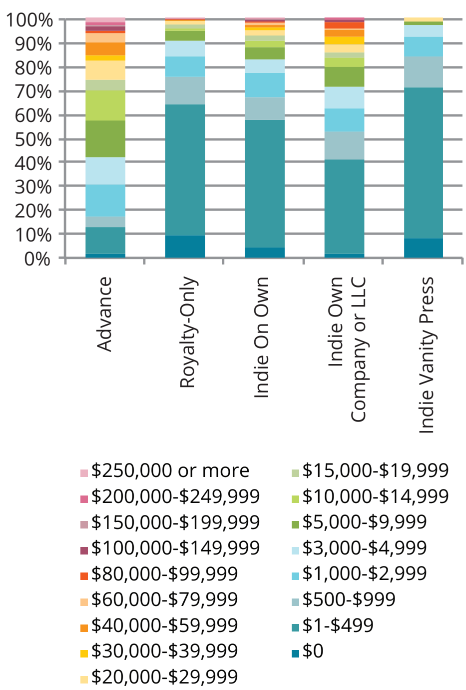


Table 6 | EARNINGS FROM MOST RECENTLY PUBLISHED BOOK



RISKS, REWARDS, AND EARNINGS

Based on the differences in risk allocation and reward distribution, we would anticipate that authors with advance-paying publishers would see the greatest sales and income from their books, compared to what royalty-only presses offer. Within indie publishing, we might anticipate the highest sales and income for authors who publish on their own or through their own companies. While vanity presses make similar investments to authors publishing through their own companies or LLCs, the lower royalty rates for authors and the lesser risk for the publisher, which was already paid by the author, suggests that books published by vanity presses may see lower returns.

Indeed, we find that on average, advance-paying publishers outperformed royalty-only publishers and indie authors on both sales and earnings. Among all other types of publishers, authors publishing through their own companies or LLCs saw the highest returns, while royalty-only publishers, authors publishing without companies, and authors publishing through vanity presses all saw similar levels of sales and earnings.

Within each type of publisher, there were broad variations in both sales and earnings. What might account for these variations? We next turn our attention to differences in investments by different types of publishers.

INVESTMENTS

Within the different modes of publishing there are also differences in the level of investment on the parts of both authors and publishers. For example, even when publishers absorb the bulk of risk, as in the advance-paying model, there are still wide variations in how much money a publisher may invest in any given book, starting with the amount of the advance itself. Within indie publishing, there may be differences in how much the author invests in producing and distributing their books. In addition, authors who start their own companies commit to the investment of legal fees, above and beyond the costs of producing and promoting their books.

All self-published authors shoulder the costs of producing and promoting their books, as do traditional publishers. In addition to characterizing publishers in terms of risk allocation and reward distribution, we might also consider the different investments publishers make both overall and project by project. As with risk and rewards, we could consider a continuum of investment from low to high. Yet investments are also influenced by the amount of additional risks publishers or authors are willing to take and their expectations of reward.

The investments publishers make in acquiring, producing and/or distributing their books relate to the allocation of risk and the expected distribution of rewards. Advance-paying publishers, which take on greater risk and stake claim to a greater portion of rewards compared to royalty-only publishers, also tend to invest more money in producing and distributing their books. As with their choice of authors on whom to take risks, advance-paying publishers also invest more in acquiring books by authors who have track records in publishing, paying higher advances to authors who have greater experience and more titles to their names. In terms of investment, advance-paying publishers are more likely to invest in more expensive production and distribution than are royalty-splitting publishers or indie authors.

Investment, Risk, and Reward

Among indie authors, authors who publish through their own companies or LLCs (and therefore have already made additional investments in officially registering their companies) and those who publish through vanity presses (and have paid those presses up front) tend also to invest more resources in producing, distributing, and hiring professional services than do indie authors who publish on their own. Interestingly, the profiles of investment in print formats and distribution are similar for royalty-splitting publishers and for authors publishing through companies, whether their own or a vanity press.

INVESTMENTS, SALES, AND EARNINGS

How much are these specific differences in investment related to how many books get sold and how much authors earn?

For advance-paying publishers, there is a close relationship between the advance amount and an author's sales and earnings. The findings suggest that publishers' investments in advances may be tied closely to expectations for sales and earnings. Moreover, advance amounts fairly closely mirror authors' earnings, suggesting that most of what authors earn from their collaborations with these publishers is paid through the advance with little reaped in additional earnings in many cases. This observation squares with the commonly held anecdotal understanding within the traditional publishing ecosystem that traditionally published authors rarely earn back their advances.

***Table 7* | RELATIONSHIP BETWEEN ADVANCE AMOUNT AND MEDIAN EARNINGS**

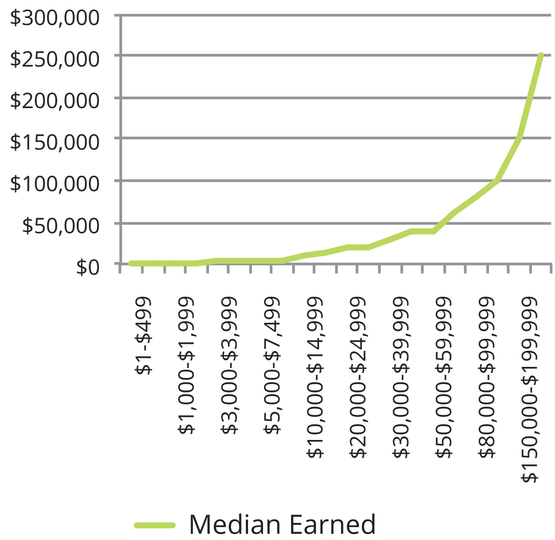


***Table 8* | SALES AND EARNINGS FOR DIGITAL-ONLY COMPARED TO PRINT FORMATS AND DISTRIBUTION**

	Advance	Royalty-Only	Indie On Own	Indie Own Company or LLC	Indie Vanity Press
Median Sales					
Digital Only	1,000-4,999 copies	1-499 copies	1-499 copies	1-499 copies	1-499 copies
Print	5,000-9,999 copies	500-999 copies	1-499 copies	1-499 copies	1-499 copies
Median Earnings					
Digital Only	$1,000-$2,999	$1-$499	$1-$499	$500-$999	$1-$499
Print	$5,000-$9,999	$1-$499	$1-$499	$750-$999	$1-$499

Considering whether the publisher invested in print distribution, we can make further inferences about the relationship between publisher investments and author earnings. Indeed, authors whose books are selected for print distribution tend to earn more on those books than authors whose books are not—a median of $1,000–$2,999 for digital-only and print-on-demand books and $5,000–$9,999 for books with print distribution. However, for advance-paying publishers in this sample, the majority of whom invested in print distribution, this factor is not as predictive of book earnings as advance amount is.

While not all indie authors hired or contracted services to help them self-publish their books, for those that did, there was a positive relation between how much authors spent for outside services and their earnings. However, this association was weaker for authors published with vanity presses than for authors publishing through their own companies or LLCs or for self-published authors without companies. Moreover, the latter two groups saw greater returns on their investments, perhaps due to the higher royalty rates for these groups compared with authors publishing through vanity presses.

The picture we present of the relationship between sales and earnings and investments by publishers and indie authors is incomplete in that we only consider a few of the types of investments that might be made in a book. However, the findings clearly suggest that the investments by publishers and indie authors in their projects directly relate to sales and earnings. Moreover, these findings suggest that the difference in expected outcomes for an author's books correspond not only to publishing mode but also to the level of investments made in a given project.

AUTHOR SATISFACTION AND COMMITMENT

This year's respondents to the Digital Book World and Writer's Digest Author Survey were presented with a list of items and asked to rate their satisfaction with these aspects of their most recent publishing experience on a 5-point scale "1 very dissatisfied," "2 dissatisfied," "3 neither satisfied nor dissatisfied," "4 satisfied," "5 very satisfied."

The majority of authors were "satisfied" or "very satisfied" with many aspects of their publishing experience. However, keeping in mind what authors wanted—to build their careers, to produce books people would buy, and to make money from their writing—there are several areas where the different publishing modes fell short. Regardless of publishing method, authors were not particularly satisfied with the number of copies sold, their total earnings, the amount of help or advice they could get from publishing industry professionals, or the overall marketing of their books.

Table 9 | **MEDIAN LEVEL OF AUTHOR SATISFACTION WITH MOST RECENT PUBLISHING EXPERIENCE**

Measures of Satisfaction	Advance	Royalty-Only	Indie on Own	Indie Own Company or LLC	Indie Vanity Press
Pricing of the book	4	4	5	5	4
Number of copies sold	3	2	3	3	2
Royalty rate I received	3	4	4	5	3
My total earnings to date on the book	3	2	3	3	2
Costs to me, personally	4	4	4	4	3
Time required of me, personally, to edit/prepare the book	4	4	4	4	4
Amount of help/advice I could get from publishing industry professionals	3	3	3	3	3
Time required of me, personally, to market/promote the book	3	3	4	4	3
Overall marketing/promotion of the book	3	2	3	3	3
Amount of creative control I had	4	4	5	5	5
Cover of the book	4	4	5	5	5
Quality of the finished product	4	4	5	5	4
Publisher's commitment to me and my work	3	3			
Advance I received	4				
Relationship with my editor(s)	4	4			
Publisher's efforts to market/promote the book	3	3			
Distribution of the book	3	3			

For individual authors, the responses to questions about satisfaction were highly interrelated. While there may be differences in the way an author responded to one item or another, the results overall were fairly consistent, such that we could combine them into indices that had fairly high reliability. Using the set of questions asked of both authors with traditional publishers and indie authors, we created a 12-item index (alpha=.90 for traditionally published authors and alpha=0.88 for indie authors).

We find that overall, indie authors who published through their own companies or LLCs were the most satisfied with their publishing experience, with at least half indicating that they were satisfied or very satisfied on every aspect of the process (median=4). Indie authors who published on their own had similar scores but were slightly less consistently satisfied with the various aspects of their publishing experiences (median=3.91). Other authors were not as consistently satisfied but neither were they consistently dissatisfied with their experiences (all with median=3.33).

Table 10 | LEVEL OF EARNINGS AND MEDIAN SATISFACTION WITH PUBLISHING EXPERIENCE

Earned	Advance	Royalty-Only	Indie On Own	Indie Own Company or LLC	Indie Vanity Press
$0	1.7	3.3	3.5	3.9	3.3
$1-$499	2.8	3.3	3.7	3.8	3.3
$500-$999	3.4	3.3	3.9	3.8	3.0
$1,000-$2,999	3.3	3.3	4.0	4.1	3.3
$3,000-$4,999	3.2	3.3	4.2	4.0	4.2
$5,000-$9,999	3.3	3.7	4.2	4.3	2.4
$10,000-$14,999	3.1	3.0	4.5	4.5	
$15,000-$19,999	3.6	3.3	4.4	4.6	
$20,000-$29,999	3.0	4.1	4.5	4.6	4.8
$30,000-$39,999	3.8	4.1	4.7	4.6	
$40,000-$59,999	4.2		4.5	4.8	
$60,000-$79,999	4.0		4.3	4.3	
$80,000-$99,999	3.8	4.9	4.9	4.9	
$100,000-$149,999	3.8		4.8	4.3	
$150,000-$199,999	3.9		4.8		
$200,000-$249,999	4.4	4.9	5.0	4.8	
$250,000 or more	4.2	5.0	4.8		

Last year, looking at the low satisfaction scores for sales, marketing, and earnings, we speculated that there was a gap between authors' expectations and the realities of the book market, where it is very difficult to sell a large number of books. When we examine the relationship between sales and satisfaction, we find that authors who sell more books tend overall to be more satisfied with their publishing experiences and also that authors engaged in different modes of publishing have different levels of sales that make them feel satisfied on the whole with their experience.

Earnings show an even stronger relationship with satisfaction than do sales, and again we find different levels of income associated with higher satisfaction for different modes of publishing. Authors who published with advance-paying publishers were more likely to be more satisfied starting at the earnings range of $40,000–$59,999, compared to an earnings range of $20,000–$29,999. In contrast, authors publishing on their own or through their own companies or LLCs were more likely to be satisfied starting at earnings of $1,000–$2,999, while authors publishing through vanity presses showed signs of satisfaction at the higher earnings mark of $3,000–$4,999.However, very few authors in traditional publishing climb to the levels of sales and earnings associated with satisfaction. About 16.66% of authors with advance-paying publishers earn $40,000 or more, while less than 2% of authors with royalty-only publishers earned $20,000 or more on their latest traditionally published book. The outlook for satisfaction in indie publishing is more positive, when 33% of self-published authors and 48% of authors publishing through their own company or LLC earn more than $1,000. However, the outlook is more bleak for vanity publishing, when only 7.46% earn $3,000 or more.

In short, money matters to authors' satisfaction with their publishing experiences, but the majority of indie authors in the sample enjoy greater satisfaction at lower income levels than do traditionally published authors.

Perhaps this finding links back to the high priority authors place on building their careers. Indie authors do not have to worry the same way traditionally published authors do that their publishers will stop investing in their books or decline new contracts with them if they don't achieve target figures. If a book doesn't do well, the low performance doesn't impede an indie author's ability to move forward. Moreover, each newly indie published book by a given author provides another opportunity to attract readers and perhaps even to interest them in the author's previous books.

Less than half of authors who had published with a traditional publisher said that they would choose to publish with the same publisher, although commitment was higher from authors who published this past year with more than two thirds claiming they would like to sign on again. Regardless of their feelings toward their latest publishers, roughly half of traditionally published authors reported that they would prefer to publish their next book with a traditional publisher. There were no substantial differences in preference based on the type of traditional publisher that published their latest traditionally published book.

In contrast, two thirds of indie authors stated a preference to indie publish again, although, consistent with results for satisfaction with publishing experience, this proportion was far lower for authors published through vanity presses.

Conclusion

In this report, we presented a conceptual framework for the publishing industry based on risks, rewards and investments. Using the responses from the 2015 Digital Book World and Writer's Digest Author Survey, we demonstrated the utility of this framework for understanding both traditional and indie publishing.

The survey data itself have their limitations. The survey was voluntary, and it is unclear how representative the survey sample is of authors in general. As of yet, there are no national or international surveys of authors with scientific sampling that could provide a benchmark. While representativeness was not a requirement for the task at hand—categorizing publishers by risk and reward types and understanding how different arrangements help authors address their publishing priorities—readers should be mindful that the results presented here do not claim to cover the entire market. Not only are the results mostly applicable to fiction publishing, but the small numbers of authors in some of the categories like royalty-only publishers and, even more so, vanity presses, cannot capture the vast amount of variation in those categories or tease out further reasons for it.

Moreover, the data are cross-sectional and relate to events that happened in multiple different years. Thus, for example, when we look at satisfaction with one's latest traditional publisher, the event could be recent or it could be several years in the past. We have tried to point to market changes that could help account for results, but there are doubtless a wide range of factors at play.

Nonetheless, the results do provide us with important insights about publishers and authors. First, publishers and indie authors may be successfully characterized according to risk allocation and reward distribution. The results showed a consistent match between the categories and observed behaviors.

On the traditional publishing side, we showed that traditional publishers who shoulder the greatest risk for projects are more selective in the authors they select—opting for authors who are more experienced and have a proven track record—than are risk-sharing publishers. At the same time, these publishers also expect a greater share of rewards for themselves, keeping a greater share of royalties and claiming most of the rights to the work beyond what they might be using now.

On the indie side, authors who indie publish all shoulder the risk for their own projects, but they differ in terms of reward allocations. While most indie authors retain all rights and a very high degree of net royalties, those who publish with vanity presses tend to have reward-sharing arrangements, in which they pay a portion of royalties to the vanity press that they have paid for producing and perhaps distributing their book.

While the traditional publishers who take on the greatest amount of risk also seemed to have better sales and earnings than the other types of authors and publishers in our sample, the more nuanced information we found was related to investments. Overall, traditional publishers that take on the most risk and stand to keep the greatest portion of rewards also tend to make the highest investments on average in their projects—investing in advances, more expensive book production and/or more costly distribution (print and digital as compared to digital only). In contrast, indie authors, who bear all of the risk for their projects, endeavor overall to keep costs low by focusing on digital-only production and distribution and, in general, making fewer investments in book production, like editing and cover art.

Not only do these basic differences between types of publishers relate to authors' sales and earnings, but differences in investments for specific books also matter. Looking at the variation within types of publishers, we see that books with higher investments also tend to have higher earnings—except in the case of authors published through vanity presses.

Even in the case of vanity presses, though, the risk-reward framework offers explanatory power relative to the results from the survey. While vanity presses have similar risk profiles to other types of indie publishing, they differ in their reward distribution, such that the vanity press, which typically bears no risk for the book project, not only collects fees from the author up front but also shares in the reward. Having already received payment and having nothing at stake, vanity presses have little incentive to work hard on authors' behalf and might also be incentivized to persuade authors to purchase more costly services. Moreover, even if the vanity press achieves returns on the authors' investment, these will be diminished for the author through reward-sharing.

Finally, investments seem to matter to authors' earnings, if not to their sales. Earnings on a given book in turn relate to authors' satisfaction with their publishing experiences and their commitment to particular types of publishing, if not to particular publishers.

What our results also suggest is that only a small proportion of authors make or receive high levels of investment for their book projects. In addition, authors who publish with royalty-only publishers, while not having to make any monetary outlays, receive similar investments to what indie authors do on their own, at least so far as we can tell from the data at hand. It is unclear whether authors with royalty-only publishers are better or worse off than indie authors, who may have to make their own investments but also have more upside potential if their books do sell. Indeed, optimism and hope for future returns seems to be an important characteristic of the market.

Overall, our results suggest that authors do not sell many books or make much money on them. Yet authors tend to be equally or even more satisfied with indie publishing than with traditional publishing. Those who have only indie published seemed highly devoted to the enterprise, with few saying they would prefer to publish with traditional publishers.

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Moreover, hybrid authors, who have published both ways, were unlikely to report a strong preference for traditional publishing, and authors were more satisfied with indie publishing, even at lower levels of earnings, than with traditional publishing.

Certainly, indie authors are able to put out more work in a shorter amount of time than are traditional publishers. We might expect that the combined earnings on these books would outstrip what traditionally published authors are making; perhaps volume makes the difference. Yet the relatively low annual writing incomes reported by most authors in the survey suggest that that's simply not the case. Moreover, hybrid authors tend to earn similar figures on their indie-published books compared with authors who only indie publish, while they earn substantially more on average on their traditionally published books.

It would seem, then, that for many authors part of the appeal of indie publishing is the sense of possibility it offers. Perhaps this optimism is due to the high visibility of success stories, or perhaps it is due to love of one's own books and faith that if the book doesn't sell today, someone may discover and love it tomorrow. It's possible, in other words, that indie authors are more prone to nurture a longer-term vision for their work in the marketplace than the traditional publishing cycle allows, fostered in part by the greater ability to control more aspects of the publishing process independently.

However realistic such optimism may be, it introduces a new dynamic in the relationship between authors and publishers. Authors have high expectations of what their publishers might do for them. They tend not to be satisfied with the publishing experience until a certain income threshold is reached, and this threshold is far higher for traditional publishing than for indie. Reaching this benchmark level of sales requires substantial investment of an amount that only a small fraction of books receive from publishers and that only a small number of books seem to earn back.

Authors who don't see earnings from their publishers may have a sense of frustration. The optimism of the market might make them wonder if they could sell more books and/or make more money on their own. Similarly, authors whose books do sell well may wonder whether they would do better if they could keep more of the rewards from their books.

The trend for traditionally published authors to try their hand at indie publishing or even to decamp entirely from traditional publishing in favor of indie publishing has grown in recent years. For publishers, the danger is that they will lose to indie publishing the authors that they want to keep—authors who would become their competitors in a crowded book market—unless publishers find ways to sweeten the reward-sharing for higher-performing books. For authors, the danger may be unrealistic expectations.

Publishing seems to be fast becoming a money game, in which those authors who on their own or through their publishers are able to invest heavily in a project are likely to break through the sales and earnings barrier. Few authors receive or are able to make that kind of investment, and established or well-funded publishers have a decided advantage. At the same time, publishers willing to expend this level of resources are also choosy about which authors merit these higher levels of investment. In view of the directional shifts in the market, it seems reasonable to speculate that that choosiness will only intensify for the foreseeable future, which could make it increasingly difficult for traditional publishers to justify their roles as investors in worthy projects that may not otherwise survive without them.

While such elitism makes business sense, it also contrasts starkly with the populist spirit of indie publishing. Yet if only those authors who marshal sufficient capital in service of their projects are able to break out, then the much-touted democracy of the indie market also seems increasingly vulnerable to an asymmetry that favors authors with deeper reserves of time and/or money. In other words, many of the trends widely remarked in the traditional publishing ecosystem—like steepening competition in a market that reserves an outsize share of reward for a smaller handful of best-selling titles—seem to be mirrored, at least in part, in the indie arena as well.

For all parties, the challenge is a market in which supply outpaces demand, and the incredibly large volume of books makes discoverability an ever greater challenge for authors and publishers of all stripes. Perhaps in a market where few books will sell tremendously well, a pervading optimism and hope for the future are valuable prizes indeed, and investments of faith can bring returns of their own.