

European interview

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“Europe is increasingly innovative”

Interview with Gauthier Van Malderen, co-founder and CEO of the University Digital Library Perlego

You launched Perlego in January 2017 with Matthew Davis, a friend from the European School. So how did this digital library project, nicknamed the «spotify» of books, come about?

It all started with my personal experience at university in Italy and then in the UK. Books are still quite expensive, and many students prefer to buy them second-hand, make photocopies or download them from illegal sites. As a result, publishers lose considerable revenue every year (-23% between 2012 and 2017). Based on these two observations, the idea was to create a platform on the Spotify or Netflix model, which would provide access to academic books at an attractive price. This is how Perlego was born - «I read» in Latin. Having failed to launch the project in Belgium, it was done in the UK, which at the time was really the leading European country in terms of investment. There, thanks to an initial investment from the sale of my first small company, *Iconic Matter*, a fund-raising campaign helped to raise €800,000 from «business angels» in a first round of financing. To date, Perlego is worth €23 million, with more than 4,600 publishers - including Lagardère - and more than 530,000 digital titles in a wide variety of fields (history, literature, political science, medicine, etc.). There are already 360 on Covid-19! Most of our users are students but also, increasingly, companies and adults in vocational training (nearly a third).

How did you manage to convince the publishers to follow you?

By going digital, publishers avoid both the problem of second-hand goods and piracy, which causes them considerable harm. It was the same for music a few years ago. We act as a content distributor; users have unlimited access to our catalogue for a subscription of €12 per month or €96 per year, and we then pay 65% of our revenues to our publishers, in proportion

to consumption. The publishers can thus recover a significant share of the money they have lost, and in addition, they receive free real-time, anonymised data from Perlego on the books they have consulted. About 96% of them give us their rights for the whole world; only a small handful want to limit themselves to a given territory.

You are still mainly based in the UK, but you have started to conquer other markets. You now offer books in several languages: does this seem important to you?

Our task is to make education more democratic. We therefore want to diversify the languages of our books, even though English is still the most predominant one. There are 17.5 million students in the European Union, 11 million of whom will at some point use English. It was therefore essential to offer books in this language. We then moved on to German: there are 2.2 million German students and the publishers concerned are quite proactive. Then we moved on to Italian, because of my studies in Italy at Bocconi University^[1], because there is a lot of piracy there and the second-hand market is strong. Finally, Spanish, which is vital if we want to set up in Latin America. Since December, we have been offering books in French, about 15,000 of them, but French publishers are still a bit old-fashioned, more than 80% of their income comes from paper publishing.

Silicon Valley is the land of the start-up. Why haven't you moved to the USA?

Although the majority of unicorns are located in the United States, the country is becoming less and less attractive in terms of investment and human capital. America was the dream of our parents, but this is no longer true for my generation. Europe represents a market of 450 million inhabitants, it is the second

[1] An Italian university in Milan, specialised notably in the economy, finance and management

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economic power in the world, it has excellent infrastructures, particularly in terms of Wi-Fi, and it is home to the best universities in all areas of technology and computer science. It therefore has many assets to support the development of large companies. But Europe still only has a few unicorns in the field of new technologies, it remains too fragmented. Perlego is obliged to create a legal entity in each of the Member States in which the company wants start business. It would therefore be useful to improve the status of the European company, so that a real European platform can be developed. There are also many barriers such as languages and access to funding. Capital flows are still not as fluid as in the United States.

By 2017, it was already known that the UK wanted to leave the Union. So why did you choose to set up your business there?

For 12 weeks, attempts to raise funds in Belgium proved unsuccessful. In the United Kingdom, it happened ... in two and a half weeks! Belgian entrepreneurs did not trust me because of my age (25) and my lack of experience in publishing. Across the Channel there is a great appetite for risk, it is easier to get funding for different reasons. On the one hand, British legislation favours investment in start-ups: the *Seed Entrepreneur Investment Scheme* (SEIS), launched in 2013, exempts you from tax in the event of losses or bankruptcy. In addition, there are many more investment funds, especially American ones. Finally, the ecosystem there is more favourable and dynamic than on the continent. In France, there are very few entrepreneurs, whereas in the United Kingdom, there are dozens of Xavier Niels ready to invest in start-ups. But everything is going to change with Brexit. And my next company will be created in the European Union!

You studied at the European School and completed your Master's degree in Cambridge. What is your personal experience of leaving the UK?

It has broken my heart. But the pro-European feeling there is higher than ever since the referendum in 2016

and I am convinced that in 10- or 15-years' time, the country will return to the Union. Then Europeans will have to be extremely strict, to show the British people the added value of being in the European Union rather than outside it. Because the British have always seen themselves as islanders. Their mentality is «Rule Britannia, Britannia rules the waves».

How has Brexit affected Perlego?

It has made things difficult. For Perlego, Brexit means several things. Firstly, less capital and funds available because European funds will no longer invest in the UK. Secondly, it will be much more complicated to recruit people and talent from France, Belgium or elsewhere: European citizens will have to obey a visa system in the future. In addition, we shall have to create a European legal entity to keep our domain names (.com, .be, .fr, etc.) because it will no longer be possible to keep them in the English structure. Brexit is therefore a terrible thing, which complicates all business matters considerably. Finally, Perlego is truly fortunate because its business is purely digital and we do not have to manage anything to do with imports and exports.

It has long been said that Europe lags behind in terms of innovation. Does this still seem true to you?

Things are moving fast, and Europe is extremely innovative. It has just invested directly for the first time in a start-up^[2] via the European Innovation Fund, which is interesting. More and more companies are succeeding, which then decide to reinvest in start-ups. The founder of Spotify has announced that he will donate €1 billion to help the entrepreneurial ecosystem. The EU's Horizon 2020 programme has helped a great deal. The mentality has also changed considerably in terms of entrepreneurship; being an entrepreneur has become rewarding. Ten years ago, if you wanted to start your own business, many thought it was because you had failed in your studies, whereas in the United States, being an entrepreneur has always been well regarded. But Europe needs to speed up in terms of marketing, particularly in the

[2] the French company CorWave

face of China, which both wants to outdo us on all sides and is fiercely protectionist. Perlego cannot access to the Chinese market because its content is censored.

Between the climate debt and the heavy financial burden linked to the pandemic, do you think your generation is being sacrificed?

In terms of start-ups, innovation and digital technology, there are many opportunities for young people, which did not exist 20 or 30 years ago. The fact of being able to work remotely is one of them: but we should offer more flexibility, ensure that employment contracts are no longer linked to our country of residence but rather through a European contract. At the same time, my generation lived through the 2008 crisis when it was leaving school and for the young people born in 2000 it will be very difficult in terms of jobs. Perlego received more than 1000 CVs in three days for a sales job. Another difficulty concerns real estate. Very few people of my age can buy property, and wealth remains in the hands of older people. Finally, there have been few positive developments in the last ten years.

Is education the poor relation of public policies in Europe?

European youth is very well educated compared to other countries in the world. In Belgium it costs about €800 a year to enrol at university, in Denmark students are paid to go there. In Europe education is accessible to all, while in the United States it costs

\$35,000 a year to study. Education is a human right, and I am opposed to the American model where student debt is exploding. How can you ask a young person to start his or her working life with \$150,000 in debt? The situation is much better here!

What does it mean for you to be European today?

I went to the European School, I am pro-European, I am confident in the future of Europe. Europe as such has a growing cultural identity. I am proud to be Belgian, and also to be European, I like elements of Italian, French, etc. culture. We should invest more in intangible projects. For example, Erasmus is heavily involved in building a European identity among young people, it is an exchange programme that everyone loves. At school, there should also be a dedicated programme, talking much more about Europe, its history, and its institutions. It should also be explained that contrary to what some people claim, Europe does not cost us much: barely the price of a coffee per day and per inhabitant. We really need to educate young people about the benefits of the European Union. The future would be... the United States of Europe, with respect for the cultures of each country. In the United States, a New Yorker is totally different from a Texan or a Californian and each has his own governor. We could do the same thing in Europe. That would take away a lot of problems!

Interviewed by Isabelle Marchais and translated by Helen Levy

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