



## **Interview with Rüdiger Wischenbart**

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**KENNEALLY:** For a quarter-century, the business narrative across all sectors in publishing is a story of mergers and acquisitions. In the latest chapter, the familiar tale carries on as before, yet plot twists may lie ahead.

Welcome to Copyright Clearance Center's podcast series. I'm Christopher Kenneally for Velocity of Content. Industry analyst Rüdiger Wischenbart points out that the 1998 Bertelsmann deal for Random House looks in hindsight to have been a bargain. That perspicacious purchase sent publishing on a globalization and consolidation binge that digital transformation has only quickened.

In the 2021 edition of Global 50, an annual ranking of the publishing industry's leading firms, Wischenbart highlights what authors and regulators have watched warily as consolidation advanced unchecked. The combined revenue of the top 10 companies tops that of the following 40. Any competition remaining in publishing, says Wischenbart, is felt most sharply by smaller houses that are often privately held, family-owned firms.

Rüdiger Wischenbart joins me now from Vienna with more. Welcome back to the program, Rüdiger.

**WISCHENBART:** Thank you, Chris, for having me.

**KENNEALLY:** Congratulations to you on completing this latest Global 50 report, which we have come to expect from you since 2007, and is available as a free download from [wischenbart.com](http://wischenbart.com).

Let's talk about that top 10 briefly, because the companies that are represented there represent the whole range of publishing.

**WISCHENBART:** Yes, absolutely. There are only three, really, trade publishers among the top 10, which are, of course, Penguin Random House, Hachette, and HarperCollins. The others are mostly educational and professional academic, like RELX, the big STM – science, technical, medical – house. Thomson Reuters, which is on a totally different professional trajectory, doing services around information. And Pearson, the classical educational publishing house – similar a little bit to Phoenix, a Chinese company, which also has a big, significant educational arm. And then we have, again, Wolters Kluwer, another professional publisher with a long track record, and fairly recently formed Springer



Nature's merger, which a Lagardère also excels in scientific journals and academic. So it's a different picture from what many observers, without getting into detail, would assume.

KENNEALLY: It's an important point to make, Rüdiger, because while the headlines focus on the trade sector, the publishing industry is about much more than that. And the same kinds of trends and consolidation that we have seen on trade have occurred as well in the STM sector. So you've got, for example, Clarivate acquiring the academic library service and science database ProQuest. That's a tremendous deal – \$5.3 billion.

WISCHENBART: I couldn't agree more, because what you emphasized, Chris, is the following – it's not just one company buying another company. The entire models behind those strategies in the groups that made sense out of such a merger have changed dramatically over the past 10 years.

For instance, many educational companies outside of the US have become learning platforms or learning institutions, acquiring schools and getting us into trouble as observers and analysts, because our definitions of what is a publishing company is getting more and more complicated. Really, before this, the same started, as you mentioned, with the entire professional and academic sector. Here again, we have a dramatic transformation, as Clarivate or Thomson Reuters do not put the data, the information, center stage, but the services that they can distill out of the information that they govern.

So it's an entirely dynamic and complex universe that is transforming. Only trade or consumer book publishing pretends to a certain degree that their little world is still intact and in the same shape as in our parents' generation.

KENNEALLY: And it's those blurred lines that you mentioned, Rüdiger, that make it difficult for an analyst like yourself to come up with this Global 50 list. Because what are you tracking? Are you tracking books? Are you tracking much more than that? That's a real challenge.

WISCHENBART: That's the fun part, if I may say, because we have to adjust, and we are like first-row observing these changes. But what we try to measure is revenue from publishing plus wholesale distribution. We exclude retail. So vertically integrated houses, like in Spain, Planeta, or in Sweden, Bonnier, or the Russians, who have large retail chains, they report to us figures that allow us to cut off the retail side of the game.

KENNEALLY: And the story of consolidation – it really does matter where you are, what that consolidation is about. But you've identified three generalized ways of going about this to look at America – the United States – France, and Germany. Some are more simple scenarios than others.



WISCHENBART: Yes. Well, the classical M&A – someone acquiring a competitor, gobbling up that competitor, like Penguin Random House trying to acquire Simon & Schuster, or HarperCollins having acquired now successfully the better part of Houghton Mifflin Harcourt – that’s the American way of doing business, yes? That’s really getting bigger, and by getting bigger, enlarging the footprint and allowing a more efficient back office that drives down costs and generates more volume. We saw over the pandemic, very oddly and paradoxically, that these companies improved their bottom line very, very strongly. Some of these houses had their best financial years ever despite – or because of – navigating through that very complicated transformation triggered by the pandemic.

A totally different model is what happens in France currently. We have a very complicated picture here – one predominant French publishing group which is very well known in the US. It’s called Hachette, the parent company, and Hachette Book Group for its American holdings. They are by far the predominant French publisher domestically. And they are just about books in their publishing division, and just about trade books plus a little bit of educational.

Suddenly, the other activities of the parent group, Lagardère, which is about advertisement – and very much physical advertisement – ran into trouble over the pandemic, because everything physical was in trouble. So they needed cash. Lagardère is owned by Arnaud Lagardère, a French billionaire. So when Lagardère got into trouble, they approached another billionaire owner of a totally different group which is specializing in luxury goods, LVMH – champagne, cognac, perfumes – owned by Bernard Arnault.

And suddenly, a third billionaire from still another media company, Yannick Bolloré of Vivendi, which is based on a totally different concept, started to acquire stock in Lagardère/Hachette Group. So suddenly, we had a billionaire binge, where behind the scenes, not really transparent to the public, strategic battles were fought and are still fought to this day, because Vivendi is a cross-media group owning advertisement, TV, streaming TV, and publishing – the second-largest French book publishing group. They increased their share in Hachette to a level where legally, they are obliged within a few months to make an offer for a complete takeover.

So suddenly, you have a totally different concept of different strategies being opposed, one to the other. And that is interesting, because there was a CEO for 15 years defining the Hachette Book Group who was extremely focused just on books. Arnaud Nourry – he always said we are about books, reading, and not about other media. Now, suddenly, that concept is put into question.



KENNEALLY: Well, I just have to comment from the American side of things, Rüdiger, that when it comes to billionaires in this country, they're focused on spaceships. But I think it says something about French civilization or French society that the billionaires there are in the book business.

WISCHENBART: Yes, very much so. It's a playground, particularly in France, where the prestige of going into media, having their convictions, their approach to the world, reinforced by media – and particularly by the more conservative media, like books – is very much in the French DNA of identity.

KENNEALLY: And in Germany, there's also a third approach to consolidation.

WISCHENBART: Yes. It was funny. When I was discussing that topic with friends of a German professional publishing magazine, they said, oh, no, we don't have any consolidation in publishing in the first place. I said, wait a moment. You have the same degree of consolidation, but surprisingly, not among the publishers, but in retail. Because over the past 10 years or so, you have a book retail chain, Thalia, which was almost bankrupt 10 years ago, change ownership, change the model and everything – went very, very strongly into online channel and into buying up local, regional book chains. They are just about books, but like a good friend who is getting more and more and into – others would say a bully, because he was growing and getting so muscular over the 10 years, they are now at the same level of turnover from bookselling as Amazon in Germany. And let me remind you – German Amazon is the largest international market for Amazon in the first place. It's bigger than Amazon China or Japan.

So suddenly, the same thing happens in a slightly different twist in retail. So we see really a global picture that the big organizations are in a process of redefining their very setup, their DNA, their orientation – in short, their strategy and their approach to books and readers.

KENNEALLY: If you look at it globally, Rüdiger, can you tell us which way the balance has swung at the moment? It does seem from my perspective that the cross-media approach is prevailing. But perhaps in other parts of the world, just books remains words to live by.

WISCHENBART: At a first glance, I agree. It looks as if the cross-media approach could be the thing. For instance, in China, they have a government-defined policy that is very strongly emphasizing digital. Media/books and publishing have a priority on digital, and digital is understood across the board. As I said, Vivendi, which is now acquiring Hachette, will certainly have redirection of Hachette very high up on their agenda.



In the US, however, take a look at Simon & Schuster. This used to be owned so far by a media company which has holdings in infrastructure and in production and now sells off the book arm to a publishing group, Penguin Random House, that pretends to be just about books. But to make the whole game even more fun, the parent company of Penguin Random House and the board that Markus Doyle, the CEO of Penguin Random House, is sitting on is very much betting on cross-media. Bertelsmann – the CEO of the entire corporation is very much driving now the cross-media approach.

So we have a very complicated picture at the moment, which is a big challenge to us as analysts, but which is very, very interesting. And for me, I would give it a slightly different twist. I think that the real quarrel in strategic terms is who is the rider and who is the horse? Is the infrastructure, the cross-media thing, the pipes that you need to bring any type of content to their audiences – is that the defining part? Or is the rider still the creation? Not books or a format or TV, but the creators. We have quite a few experiences that when that is turned around, and the horse is taking over, the rider has a very, very bad experience in riding, and at the end of the day, the whole thing is stumbling.

So I guess, yes, there is a lot of cross-media going on, but there is also a lot about creators and how you can secure the place and the liberty and also some oddities of the creators that must prevail and have their solidity. Think of Netflix. That is pretty much also the Netflix approach.

**KENNEALLY:** Rüdiger, things are moving so fast that your report, which only recently appeared, is now outdated in a sense because of the intervention of the US Department of Justice attempting to block that Penguin Random House/Simon & Schuster merger. It's a long road ahead in that particular case. But any early thoughts about what that lawsuit, that antitrust move, may mean for the entire industry?

**WISCHENBART:** Of course, I will not comment on the legal aspect, because I'm not a lawyer. But for me, the confrontation now between Penguin Random House and the US Department of Justice is exactly about the creators. Is there a way to secure that liberty that is the prerequisite, both in business terms to make it work, and in creative terms to allow that diversity of expressions? Is there an organizational way to prevail – to guarantee that in these big units and in a high degree of market consolidation across the board? Or do we have to break up and be more – how should I say – do we need the smaller units in order to secure the creative freedom?

**KENNEALLY:** To further complicate the story, but to make it even more interesting, of course, is that when we speak about the book business in the last few years, that has included very prominently the audiobook business. And as we are speaking today, news is breaking of two very important moves in that space. We have Spotify buying Findaway, which has



partnerships with a variety of audiobook publishers. And then the Swedish audiobook streaming group Storytel has also said it's agreed to buy Audiobooks.com to enter into the US market. So the audiobook space, which has been the source of hefty profits for many of the larger book publishers, is about to change, too.

WISCHENBART: Yes, very much so. But first thing, don't misunderstand audiobooks as a format. It's not hardcover, paperback, ebook, audiobook. It's different ways of consumption. It's having a library where you take one book at a time versus having a subscription or an access model where you – like Netflix again, you approach your media consumption by some device, a device which is very often a phone.

Storytel excelled from the very beginning to rework the entire narrative industry around that subscription, continuous access approach. Interestingly, they were building on the experiences on another originally Swedish company active in the music business, Spotify. Storytel, differently, started to buy traditional publishing companies. They own quite a few old brands in book publishing now just to get, again, access to that creative mindset. And there are rumors – they are, of course, not confirmed by anyone – that this similarity between Storytel for narration and Spotify for music might have some similarities to the point that there might be enough overlap for another consolidation. That would be fascinating to see.

KENNEALLY: Indeed, it would. Let's just return to the point I made at the opening, which is the lopsided nature of the Global 50, that the top 10 outweighs the remaining 40 by considerable dollars. And I want to ask you finally, Rüdiger Wischenbart, about the impact not only on business, on investment, on shareholders, but on culture. What do you think this is going to mean for us looking ahead? Is cultural diversity going to become an important piece of the reckoning in terms of consolidations, mergers, acquisitions?

WISCHENBART: I suppose that one way or another, we very, very much need smaller units. How they are organized are different models. But we need smaller units to find new impulses, new narrations, new stories that fit to those changing lives that we have every day.

So personally, despite all the consolidation, I'm not the biggest fan of everything under one roof. That's a Chinese formula. The Chinese emperors always want to have everything under one sky. That imperial approach, I guess, is a little bit outdated. I would more think that we need all kinds of different ways, different practices, and we need many skies, many ambitions, etc. Just breaking up companies is certainly not the golden rule. It's more about finding ways to allow the coexistence and the crossover between different organizations without one swallowing the other flatly.



So I think we really need to reconceive that entire creative industries field. And for us as analysts, as I said, that's the fun part, because we realize that we are very much into a transition. At the end, if we are honest, we have no clue what's the endgame in this. Personally, I'm fairly confident that it's not the model under one sky. It's not going to be the imperial model. But it will require a very important mix of regulation, of granular maneuvers, to satisfy ever more segmented and specialized consumer behaviors and consumer preferences. We have a very strong force coming from the consumers to go specifically into small niches, which again is against that imperial approach. So personally, I'm an optimist. But it will bring us many surprises in the years ahead.

KENNEALLY: Well, it sounds to me like there's a clash ahead between the Empire and the Force – the force of consumers.

WISCHENBART: That would be a good formula.

KENNEALLY: (laughter) Well, Rüdiger Wischenbart, author of Global 50, the annual ranking of the publishing industry, thank you so much for your thoughtful analysis.

WISCHENBART: Thank you for having me.

KENNEALLY: Our co-producer and recording engineer is Jeremy Brieske of Burst Marketing. You can subscribe to the program wherever you go for podcasts, and please do follow us on Twitter and Facebook. I'm Christopher Kenneally. Thanks for listening. Join us again soon for another Velocity of Content podcast from CCC.

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