



2022 Global 50 Ranking

Interview with Rüdiger Wischenbart

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KENNEALLY: The world's largest trade book publisher came by its name as a joke. Co-founders Bennett Cerf and Donald Klopfer, already owners of the Modern Library, called their new venture Random House in 1927 because they expected to publish whatever books they liked. And what they liked, readers liked, too, year after year. For the first half of 2022, Penguin Random House reported \$1.9 billion in revenue.

Welcome to Copyright Clearance Center's podcast series. I'm Christopher Kenneally for Velocity of Content.

Over the last century, all of publishing, not just Random House, has developed in ways that Cerf and Klopfer never imagined. Books are a global business today that throw off profits and spinoffs in a diverse media environment.

Leading into the Frankfurt Book Fair in October, Rüdiger Wischenbart has surveyed this dynamic world, one increasingly dominated by digital, for his annual report, Global 50: The Ranking of the Publishing Industry. He joins me now from Vienna with a preview. Welcome back to the program, Rüdiger.

WISCHENBART: Hello, Chris. I'm very happy to be here.

KENNEALLY: We mentioned Penguin Random House, and it is much in the news these days over its part as defendants in an antitrust trial seeking to block its acquisition of Big Five rival Simon & Schuster. On the witness stand, CEO Markus Dohle pointedly recalled the company's origin story, asserting that everything is random in publishing. Success is random. Bestsellers are random. That's why we are the Random House. How do you see publishing today, Rüdiger? Are we truly living in a random world, or does publishing follow some kind of a master plan?

WISCHENBART: If you are sitting at the roulette table, and for several rounds in one row, you have a steady curve of growth of your income from the roulette table, and then you say, well, that's just random, everybody around you at the roulette table will have a little bit of a strange look at you, because that's not very plausible.



Therefore, that joke that was made by Markus Dohle was a good joke, but perhaps a little bit circumventing what really happened. We saw over the past several years, and the pandemic was only an accelerator for that, that the very big trade publishing houses, consumer book publishing houses, have done their homework very, very properly. That is the case for Random House – Penguin Random House – which has emphasized it in other circumstances very, very proudly by Markus Dohle, by the way. That has been the case for the Hachette Group, for HarperCollins, you name it. They all have increased their turnover and mostly also their profitability.

The very difficult moment of the pandemic, when bookshops had to shut down, when people were stuck at home in many major markets for lockdowns, that did not really impact the revenue or the profitability of these publishing companies. Guess what? Nothing was random here at all. It was really based on very hard work.

And what we see is, however, in my understanding, an increasing gap between the global leaders of the industry in trade and those midsized houses which especially outside of the US – in Europe, for instance – stand for much of the diversity in titles, in tonalities, in narratives, etc., because they have not the money, the deep pockets that are required to do that homework and to invest in fulfillment, warehouses, logistics. A lot of that went into IT – IT not just being about ebooks, being about the entire value chain – distribution, management, managing author contracts. All that was subject to heavy investment, and the small- and medium-sized companies have to compete without having the deep pockets for such investment.

I think that's in the realm of consumer book publishing the big, big story of these days. And that fits perfectly well into why there is such an amount of consolidation pending or was going through already over the past few years. We have HarperCollins, who just picked up recently the consumer book publishing division of Houghton Mifflin Harcourt. We have now the big case at the battle in court between the Department of Justice and Penguin Random House about the acquisition of Simon & Schuster, which you have mentioned.

A similar, but different case, is pending in France of the same scale, almost, as the country's largest publishing company, Hachette, which has substantial holdings in the United States – Hachette Book Group – they have an owner who is suddenly threatened by a takeover bid from another media group who coincidentally own the second-largest publishing group. And the consolidation in France is much higher between just two big operations. So suddenly, Vivendi is trying to get hold of Hachette, and in the process, they are promising to get rid of Editis, perhaps, because that would be unacceptable to keep both assets. So we have really what you might call in a little bit of a critical way billionaire bingo going on behind the scenes, where the public – even the informed public



– is just standing outside and marveling what happened to our good old-fashioned random-driven book business.

KENNEALLY: It was a great answer and a real nice, comprehensive take on the health of the publishing industry. You point out in Global 50 on the consolidation point that 2021 looks a bit of a lull, because it's not about what's happened but what will happen or what hasn't happened just yet. So we may look back on 2022 and see this is the real turning point when it comes to consolidation. If the Justice Department loses its case, if Vivendi is allowed to acquire Hachette, then consolidation has reached its apotheosis.

WISCHENBART: Yes. And even if these things do not happen – it's very unlikely that the French case doesn't go through. In the US, I wouldn't make a bet. Who am I to make a bet on US justice? But even if it's not going through, it would be a very, very, very important signal. So that's why I said 2021-22 might be taken as tipping points, because suddenly the industry in the coming years will be significantly different from the industry of the past 10, 15 years.

KENNEALLY: And the difference in the industry won't just be in consolidation, but in the strategies that each of the publishers choose to make as far as their own transformation. And the critical transformation, you've pointed out many times, Rüdiger Wischenbart, is the move from selling just products, books, to offering services. You've already referred to the educational publishers. You mentioned Houghton Mifflin Harcourt, which sold off the trade part of its house to allow it to concentrate on becoming a so-called learning company. Rüdiger Wischenbart, where do other publishers go to remake their business?

WISCHENBART: Well, as you mentioned, educational – that's another bunch of big stories happening, because on an international perspective, what we see is that on the one hand, the classical textbook producers, they have declined in their size over the past few years quite consistently, because obviously the pricing of textbooks didn't really fit. All the repercussions of the pandemic, of homeschooling, etc. had an impact on this, and people were not prepared to go for these high spendings any longer.

At the same time, we have seen a big shift in the less-visible parts of the educational business, where on the one hand, publishers have acquired schools or have in other parts of the world been acquired by schools. Examples abound in Korea or in Brazil.

You also see midsized educational companies, like in Europe, who are suddenly growing by acquiring educational assets from mixed groups and turning that into technology companies. That's the case also for Houghton Mifflin Harcourt, where suddenly education is turned around, and that goes directly into not selling textbooks anymore, but providing learning services – providing and then also selling subscriptions or access in one form or



another, providing a full 360-degree service to the learners. I expect that that very fundamental shift is also about to expand into consumer book publishing in a way.

KENNEALLY: Rüdiger Wischenbart, it's the extremely diverse media landscape that we live in today that's really giving a boost to these efforts of transformation. We are seeing reading increasingly not just of books, but of all types of formats, and that gives people in publishing great opportunity, doesn't it?

WISCHENBART: For instance, take this podcast. We have all the leisure to pick lots of different options and then also disseminate this. Well, you can do this with any piece of content. We see audiobooks really expanding, but when audiobooks expand, that is not simply necessarily one printed book being read by an actor and then sold for a download to one customer. It can be broken apart into chapters. It can suddenly run on Spotify, where the core business is subscription to music. It can do many things. And we also see lots of forthcoming innovation in producing audio – automated, artificial intelligence-driven recordings of mounting quality. When we speak about audiobooks, it's not even reading anymore. The brain does totally different things when listening as compared to reading.

Suddenly, we are really in a topsy-turvy, different environment, and that's where access, services, make it convenient. Focus on discoverability, really showcase what you have as a content organizer, and then making the life of your audiences simple and convenient – that's services. That's what I see happening all over the place.

KENNEALLY: Well, you speak, Rüdiger Wischenbart, of the Global 50, but it's important to emphasize that there are regional differences still, particularly when it comes to subscription models. They're wildly popular in Scandinavia, but it's really unlikely they will ever really come to any prominence in the United States.

WISCHENBART: I'm a little bit more cautious in predictions about what will happen in which markets or not. What we see is at least that starting in Scandinavia, but not remaining limited to Scandinavia, suddenly people don't bother buying audiobooks anymore, full stop. I had a discussion with a friend who is based in Stockholm in the last few days, where suddenly, he said, well, wait a moment. I guess realistically 97% of the audiobook consumption in Sweden is based on subscription. That is a statement.

We have been told – also in Scandinavia, by the way – for a decade that subscription wouldn't fit the book business. Well, if you go back into history, you know the modern book trade had started in the mid-19th century by magazines, which were the internet of the times, the most mass consumption-driven form of getting access to stuff – what people wanted to have. And we see that a few of these Scandinavian companies are expanding all around the world. That's the one thing.



The second thing is we see platforms which we would not see as publishing ventures, like Wattpad or even more, graphic novel/manga-driven platforms like Webtoon, who have acquired Wattpad recently, that they all operate on a subscription basis. And guess what? I guess there are a few people in the US consuming manga as well, as far as I have been told. That's hugely expanding, and that's not sold by the piece, but it's serviced for access. So I think there is a lot of music playing in different tunes.

KENNEALLY: At the Frankfurt Book Fair, coming October 19th, Rüdiger Wischenbart, you are going to host the Global 50 talk. Tell us briefly who will be there and what you'll be discussing.

WISCHENBART: Well, the baseline is we are going very local. We don't pay attention to – I'm joking now, of course – we don't pay attention to the US or to Germany or to France. We invited just two Canadians – by the way, who before have been even working in the same company. Our guests will be Ashleigh Gardner, who is now senior vice president in charge of many of these authors in these new forms of publication, and she is doing that for what they call Wattpad Webtoon Studio, so this combination, and her former boss, Michael Tamblin, who is still the head of Rakuten Kobo, who have a self-publishing platform, who are doing reading services, who produce and distribute ebooks on a global scale, but who also have huge partnerships with classical vendors in Germany, in France. They will discuss with us all these transformations, which of course play a preeminent role in what's going on in new ways in the US, in all of Europe, and beyond.

KENNEALLY: Rüdiger Wischenbart, thank you for this preview of Global 50: The Ranking of the Publishing Industry.

WISCHENBART: Thank you so much for having me.

KENNEALLY: That's all for now. Our producer 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 on Facebook. I'm Christopher Kenneally. Thanks for joining me on Velocity of Content from CCC.

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