



Wischenbart Report On Global 50 Publishers Arrives

**Interview with
Rüdiger Wischenbart**

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KENNEALLY: The 2023 edition of the Global 50 Publishing Ranking is a story of marketplaces that comes with a few twists, says Rüdiger Wischenbart, author of the annual report on publishing markets and business performance. Data is extensive on the world's largest publishers, yet insufficient for the nontraditional self-publishing market. And while books remain a dominant format, reading and discussing stories and ideas from books have become integrated in consumers' experiences and on publishers' spreadsheets.

Welcome to CCC's podcast. I'm Christopher Kenneally for Velocity of Content. 2022, the business year covered in the Global 50 report, was a remarkably strong one. As in past years, the top 10 companies account for well over half of the combined top 50 turnover. However, consolidation finally met regulator resistance in 2022, when a US court ruling blocked Penguin Random House's takeover bid for Simon & Schuster.

Most important for an exhaustive accounting of turnover and trends in publishing is not what is included in this Global 50 Publishing Ranking, but what is not covered. Global 50's author, Rüdiger Wischenbart, joins me from Vienna with the details. Welcome back, Rüdiger.

WISCHENBART: Hello, Chris. So nice to be here back again.

KENNEALLY: Happy to have you, Rüdiger. On the top 20 list, a stunning continuity reigns. Neither the pandemic nor industry consolidation among the biggest players have resulted in any spectacular shakeup in publishing.

WISCHENBART: Yes and no, but of course, we can make the joke that it's so boring in publishing, because everything remains the same over years and years. We have an industry where in the public appearance, it seems to be predominantly consumer-focused. In fact, it's professional publishing, it's academic publishing and education which is much bigger than consumer book publishing. Here, the big corporations that have formed over the past 20 years remain basically the same, one exception being, as you mentioned, that the acquisition of Simon & Schuster by Penguin Random House has not happened.



Another one is that in France – we will come back to that later on – a big reshuffle in ownership in the industry has occurred.

But I would be a little bit more cautious in saying so flatly that shows the resilience of the industry, because if you scratch just a little bit under the surface, you see a lot of transformation. You started to have the big consolidation in the Anglo-Saxon realm a few years ago, but now you see consolidation in the middle field as well, and you see particularly strong transformations in what companies are doing – how they are organized, who are their competition. And I guess that's the really interesting thing. It's not so much the top, top figures. It's more what's underneath these figures.

KENNEALLY: Indeed, book publishing, as you say, is less and less about the consumer end. The trade industry is barely one-third of total global turnover. STM – scientific, technical, and medical publishing – is the dominant sector, yet the players there are hardly shy and retiring.

WISCHENBART: Sometimes, that puts us as researchers into a very complicated situation. However, we can draw some lessons that are quite relevant also for consumer book publishing. What do I mean? We have to define what do we include and what do we leave out? Now, a long time ago, Thomson Reuters, for instance, just to take one example, was a merger between a professional publisher, an educational publisher, Thomson, and Reuters, a news agency. So we had to answer the question, do we want to include the news agency business into our ranking? Of course, we decided against it, because news is a totally different business. So we included only in our ranking the Thomson part, which is professional publishing on a very, very large and sophisticated scale. But it's turning to be more and more a service to professional consumers, to organizations, who subscribe to a service which is digital, and they don't really pay a lot of attention to printing on paper and putting covers on books. Yet we decided that is publishing.

Now, that means all the business models have changed. Distribution models have changed. Business models are recurring revenue. That means you just pay once a year or every month, and you get a steady stream of content if you are a lawyer, a medical enterprise, or whatever.

The second thing is distribution went to digital channels. Digital channels are different from physical. There is not only no lorry bringing the paper from one address to the other, it's again that continuity. You just tap into it when you need the information.

Of course, the trade or consumer book publishers always for 150 years said we are different. We are the gatekeepers. We decide what are the good books – what are the



manuscripts that are relevant to the readers. We decide this as the gatekeepers, and then we make it happen.

Remember, Markus Dohle of Penguin Random House in court saying it's so arbitrary. It's random. That's why our company is called Random House. Well, if you look at what from a consumer's perspective is consumed now, it goes very much to the models that started to be pioneered by the professional guys – continuity. In some countries, like Sweden, subscription is the one defining model for much of reading and even more for much of audiobook listening. A service provided to the kids on their smartphone is what Webtoon is doing, and they acquired a writing platform from Canada, Wattpad, recently – two years ago – because that brought again a kind of merging thing between writing, publishing, and that steady stream of content, of narration, of stories onto the phones of kids. Suddenly, we see behind the background, there is the same transformation going on in consumer book publishing as it had started to be the case for professional publishing.

KENNEALLY: A further blow to the pride of trade book publishing, Rüdiger, is the rise and rise of self-publishing and other nontraditional models. Clearly, these have an impact on the industry, but their story is not an easy one for you to tell.

WISCHENBART: No, it's very difficult for a very simple reason. The companies leading that market segment are not sharing any figures. We know Amazon is not sharing figures of what they're earning from their publishing activities. And their publishing activities are not just Amazon Publishing, where they try to behave a little bit like a consumer book publisher. It's the self-publishing. Here, the only figures that we have is what they pay out to certain authors in terms of royalties. We don't even know the entire royalty payments. But we know that the bonuses for specifically successful writers are in the monthly range of \$50 million. Year by year, year over year, that is growing very, very steadily, and we go to payments of more than half a billion US dollars just in these parts of the royalties.

I received estimates from different sources saying all the royalties that Amazon is supposed to be paying to self-published authors is around \$200 million to \$250 million per month. If you put that together, we have Amazon to be among the top 10 publishers. But it's a totally different model. We don't have really an annual report or SEC filings where we can say that is the number, so we are not in a position to bring them. But what I try in my analysis is to frame the traditional part of the publishing industry with some references and hints and bits of data from these nontraditional sources. That makes for me a lot of the fun of the work, because it's really traveling in uncharted waters.



KENNEALLY: Consolidation has driven business activity in publishing for a decade at least. Do you think the ruling that blocked Penguin Random House from acquiring Simon & Schuster signals a possible change in direction?

WISCHENBART: I'm always hesitant in speculating too wildly when such an acquisition is taking place, but if you listen a little bit or if you read a little bit what is reported and assumed, I would guess that the model behind the acquisition is, on the one hand, to have with Simon & Schuster a traditional, very well established publisher with a long backlist. All the normal, traditional consumer book publishing is so much focusing not only attention, but also dollars on the frontlist, the new titles – a few big bestselling authors. But the wealth is all that is in the backlist. From my understanding, I would expect the new arrangement around Simon & Schuster to say, wait a moment, we can dig into that wealth of backlist and feed that to consumers in various formats in a way that neither Penguin Random House would have done it, because they live in a totally, totally different strategic universe, nor any other traditional publisher has done so far.

So there is a certain likelihood, in my understanding, that suddenly one of the most conservative, traditional consumer book publishers, like Simon & Schuster, can be exploited by new owners in new perspectives in these nontraditional ways, and that would be also part of the game that has to be expected. Because you cannot wall off those old towers of traditional publishing and say we are the book people, and we do all the same things that we did for the last 150 years, and all the rest, we don't really care.

KENNEALLY: In the Global 50 report, Rüdiger Wischenbart, you noted that educational publishing offers deep and even inspiring lessons for the entire industry. Most leading educational companies have moved beyond just offering content to individual customers, such as students and teachers, as well as institutions. In Korea, for example, publishers now work with teachers and even operate their own training and educational institutions. So what's the lesson for publishers at large?

WISCHENBART: Again, let me start with a story that is much closer to us and to you than Korea or Brazil. Take the case of Houghton Mifflin Harcourt. They sold off their trade arm not so long ago and then said, well, wait a moment. We are, at our core, education. Now, if you look up on the internet HMH, it calls itself an education and learning technology company. Publishing has gone away. Education and learning technology company. What does this mean? They say we provide services to elevate – that's their claim – the potential of all learners. So we are very clearly in a situation where the company says we're not a publisher. We are a service provider who has constituencies – not necessarily the teachers, but the students. And we serve them with everything that they need, 360 degrees.



That is the model that the Koreans have pioneered for quite a long while – 10, 15 years. That has very much to do with specifics of the Korean market. Because in Korea, students have to be working very hard not only during classes. They also have a very, very thriving and expanding afternoon market for a long time. Here, the educational companies, like Kyowon, said, well, we can serve this, and we can grow and earn money from that. That model is totally different, because they decided to be learning companies, helped, backed up, framed by technology.

Now, the same thing, or an adapted regional way, was also driving a transformation of some educational businesses in Brazil, where again, for totally different reasons – culturally, that’s a different country, as we know – they said, well, we have students. We have learners. We have teachers. We serve them. Education not as publishing, but as a service.

Even in Germany, one of the most traditional education publishing companies, Klett, which is still owned by the Klett family 100%, as far as I know – they transformed themselves exactly along these same lines and grew their business within not so many years from revenues of 300 million to over 1 billion by doing exactly this. Of course, they went also international, but the main thing is that 360-degree model.

The next case that I find really fascinating is a company from Finland – so again, from a fairly non-central market, Finland – and they did quite a few years ago a very interesting swap with the largest publishing company in Sweden, Bonnier, who has a very important trade – consumer publishing arm. They said, wait a moment. Bonnier is very strong in consumer book publishing. Sanoma in Finland said we are focused on education. Let’s swap – put everything on the table, and everybody takes what is fitting best to their half of the game. Sanoma took all the educational stuff from Bonnier, and Bonnier took over the consumer publishing part from Sanoma.

Based on that move, Sanoma started to go international, acquiring the largest educational publisher in the Spanish language, Santillana, and now going all over the place to the Netherlands, to Germany, to Italy, again driven by that service backed by technology approach. They are growing wildly.

And Klett, recently, which is discussed in our ranking of this year – how they plan to further expand along that model – technology backing up learning.

KENNEALLY: Rüdiger Wischenbart, you’ve published the Global 50 report since 2007. It’s high-level, aggregated data. Why does that matter to all the other publishers, the hundreds of publishers that don’t make the list?



WISCHENBART: I can explain it in a very simple way. If you want to grow vegetables or whatever – cabbages – you can sit in your backyard and do fantastic tomatoes and cabbages and apple trees for yourself and go to the village market and sell this, go home, be happy, and that’s it. No need to be interested in the rest. You can, however, also realize, wait a moment, I can learn from what others are doing. And then when there is really a transformation going on, learning new tricks is perhaps a very, very important idea to survive.

When the pandemic struck, we launched a little series of online conferences where we tried to figure out in the very early days – so still in 2020, early 2021 – what was the impact, really, of the pandemic on the book trade? Because everybody said, oh, we are so resilient. Nothing is happening. That will remain the same forever. Well, they were resilient, but many, many things transformed dramatically.

And one of the most fascinating learnings for me in these online conferences was we had in one session that was not so long, an hour and a half – we had the head of IT and innovation from the largest German book retail chain. They had at that point revenues of over 1 billion euros already or US dollars. She explained how they had to transform their teams when the shops were closed to go what they called omnichannel, from ordering online and picking up books in the shop without really opening the shop to – I don’t know what – doing services, having people riding bikes to bring the books to the doors and steps of people, etc.

In the same debate, we had a small, really local retailer and distributor from Mexico – not Mexico City, but really in the lowlands. They said, oh, yes, we did exactly the same. They realized, both a very big company and a very small, local company, that the pandemic – the transformation brought them to thrive on the same insights and practices. I think that’s a good lesson why you should pay attention to what other people are doing.

KENNEALLY: Rüdiger Wischenbart, author of the 2023 edition of the Global 50 Publishing Ranking, thank you for speaking with me today.

WISCHENBART: It was a great pleasure.

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. You can also find Velocity of Content on YouTube as part of the CCC channel. I’m Christopher Kenneally. Thanks for joining me on Velocity of Content.

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