

The State of the Publishing Industry in the 21st Century

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Part 1 - Traditional US Publishing, 2000-2004

Industry Concentration

We've all noticed that over the past few years, some banks have gotten much larger while hundreds of others have failed. The American publishing industry underwent the same concentration earlier in this decade. "Concentration" simply means that the share of the market for each company still left standing has increased.

Like the banking industry, the entire American publishing industry is simultaneously growing and contracting. Publishing is going global, yet the traditional publishing market for authors' writings is shrinking. You probably realize that independent bookstores are closing, and small presses are being sold to bigger presses that in turn are being swallowed up by even bigger companies. But you may not know that more authors than ever are self-publishing their own books.

You'll find a comprehensive overview about these shifts in all creative fields, including publishing, and the implications for businesses that serve creative people in David Mathison's *Be The Media*. David's book is an epic description of the battle going on for control of creative endeavors on and off of the Internet during this decade.

But here's my take on the traditional book publishing industry, having watched it closely for over 30 years. *Our publishing industry is no longer "our" publishing industry.*

Even if you didn't lose your job during the financial crisis, you may find it's not with the same employer you had back in the 1990s! In fact, these days your company's "boss" is very likely to be sitting in an office in another country. Your job in the United States may be the one being outsourced by a foreign firm.

Who Owned Whom in 2004

Bertelsmann, a *German* company, owned these publishers:

- Alfred A. Knopf
- Ballantine
- Broadway
- Doubleday
- Pantheon
- Random House

Thomson [now Thomson Reuters], a *Canadian* Company, owned these publishers:

- Brooks Cole
- Course
- Gale
- Southwestern Educational
- Thomson Learning
- Wadsworth
- Westlaw

Taylor and Francis, a *British* Company [now owned by Informa plc], owned these publishers:

- Martin Dunitz
- Europa Publications
- Gordon & Breach
- Curzon Press
- Fitzroy Dearborn
- GarlandScience
- Bios Scientific Publishers Limited
- Frank Cass
- CRC Press
- Canadian-owned Routledge Group (this includes Routledge, Spon Press, and Carfax)

As you can see, at the start of the 21st century, most large traditional US publishers came to be bought out by foreign companies. Five years later the picture is even more incredible. The publishing industry has truly re-invented itself. Today it is no longer even the “publishing” industry!

Part II - Traditional Global Publishing, 2006-2010

In Part I we looked at ownership of large publishers in 2004. We saw that many large American book publishers were taken over by foreign print publishing companies. In 2010 the picture is way worse. Those large foreign publishers have themselves been swallowed up by even bigger conglomerates.

Let's look first at what happened to American publishing and then to big foreign publishers, including Bertelsmann, Thomson, and Taylor and Francis, the leaders in 2004.

If you check recent US stock statistics, the results for "publishers" are quite strange-looking. Top companies in terms of volume of trading are:

- Ep Global Communs Inc.
- News Corporation
- Gannett Co Inc.
- McGraw-Hill
- Thomson Reuters Corp.
- Marvel Entertainment
- Yellow Pages
- Income Trust Units
- Mclatchy Co. Hld.
- New York Times
- Idearc Inc (a Verizon spinoff).
- Martha Stewart Living.

This is certainly a very catholic group of companies, with McGraw-Hill being the only well-known book publisher. The rest are an eclectic combination of newspaper, magazine, and even phone book and comic book publishers. What gives?

According to Dan Poynter, well-known advocate of self-publishing, the top six publishers by size today are: **BERTELSMANN**, **CBS CORPORATION**, **HACHETTE**, **NEWS CORPORATION**, **PEARSON**, and **VERLAGSGRUPPE**. Many of these companies are privately owned corporations.

The only American-born-and-bred corporation among the big six is **CBS CORPORATION** which took over **SIMON & SCHUSTER**.

So, let's look at what these six giants owned.

BERTELSMANN, a German company, owns RTL Television along with **RANDOM HOUSE, INC.**, "the world's largest English language trade publisher." Bertelsmann's founder, Reinhard Mohn, died last October. His company is private and family-owned.

HACHETTE LIVRE is the largest publishing company in France and the second largest publisher in the world. It is a subsidiary of Lagardère Media, the media division of Groupe Lagardère, a limited partnership holding company. Hachette Livre's U.S. division, Hachette Book Group, includes **TIMES WARNER BOOKS**. Hachette also took over **LITTLE, BROWN AND COMPANY**.

NEWS CORP., is a publicly-owned company founded by Australian media mogul, Rupert Murdoch. It is the largest media company in the world. It holds properties all over the world in film, television, cable, magazines, newspapers, publishing, and professional sports, with Fox TV likely its best known property. It also owns **HARPERCOLLINS**, a combination of American publishing companies **HARPER & ROW** and British **COLLINS**.

PEARSON PUBLISHING is a publicly-owned UK-based media corporation that claims to be the world-leader in education, business information and consumer publishing. It owns the former leading secondary education publisher in America, **PRENTICE HALL**, along with the UK publisher, **THE PENGUIN GROUP**, which previously acquired **PUTNAM**. **PENGUIN-PUTNAM** was the second largest trade publisher in the world.

VERLAGSGRUPPE (Bauer Media Group) is a private family-owned media company in Hamburg, Germany that operates in 15 countries in the world and publishes nearly 300 magazines, including a *Q*, a UK music magazine similar to *Rolling Stone*.

Other publishing imprints such as **ST. MARTIN'S PRESS**, **HENRY HOLT & COMPANY**, **FARRAR, STRAUS & GIROUX** and **MACMILLAN** were taken over by the German family-owned media conglomerate, **HOLTZBRINCK PUBLISHING HOLDINGS**.

INFORMA PLC, a publicly owned UK conference and event promoter, took over **FRANCIS AND TAYLOR** in 2004.

Last, but not least, **THOMSON CORPORATION**, a Canadian publishing giant, spun off a number of its educational publishing divisions and merged with Reuters to become **THOMSON-REUTERS**, an “intelligent information” and “technology” company focused on financial news.

Book publishing is not the main business of these giant worldwide conglomerates. They are actually global media companies with a lot of diverse activities under the umbrella.

The few well-known American book publishers, such as **JOHN WILEY** and **MCGRAW-HILL**, who have survived the conglomeration trend can hardly compete with these international behemoths.

McGraw-Hill, however, is trying. Its About page on the Web says:

“McGraw-Hill aligns with three enduring global needs

- * the need for Capital
- * the need for Knowledge
- * the need for Transparency”

This hardly sounds like the mission of a traditional American book publisher!

The reality is, print publishing is no longer a very important medium within the context of media. CBS Corporation, for example, is far more concerned with what’s happening at NBC or Fox than it is with what’s going on with Simon & Schuster. And with the emergence of new media such as Amazon’s Kindle, Barnes and Noble’s Nook, and Apple’s iPad, “print” may soon become a thing of the past.

SOURCES: <http://www.investools.com>

Dan Poynter’s site at <http://parapublishing.com/sites/para/resources/statistics.cfm>.

Part III - Online Publishing: The New Frontier

History of modern publishing

From the start of this century the publishing world has gone in two distinctly different directions.

On the one hand, the number of traditional printed-book publishers has shrunk. American book publishers have been swallowed up by media conglomerates, most of them foreign.

On the other hand, eReader ebook technology from American chain bookstores and computer manufacturers has blossomed. Reminiscent of the “mimeo revolution” of the 60’s and the desktop publishing revolution of the 80’s, downloadable-PDF book publishing via the Web by self-publishers has exploded too.

Publishing – promotion not production

Up through the 20th century, publishing was classed as part of the manufacturing sector. Publishers typeset, bound, and distributed books. Sometimes books were marketed via publishers’ catalogs and review copies. But promotion was a nominal part of what publishers did.

In the 21st century, almost anyone can publish and distribute a book. Publishing is now a part of the Entertainment and Information sectors instead of Manufacturing. Promotion, rather than production, is now key to online bookselling in this era.

The traditional (i.e., “printed book”) publishing industry charged high prices, yet never paid its “workers” well. The median return to authors for a published book has hovered around \$3,000 for decades. Royalties to authors may not be paid until a year after the book is published and the publisher deducts all costs. Royalties are not always itemized or ever reported in total on royalty “statements.”

Self-publishing

For less than \$3,000 an author now can publish and promote their own book and keep 100% of the gross royalties rather than settle for the mere 7-10% net royalties traditional publishers typically pay. Authors can keep their own copyright or creative commons rights to their work. Most importantly, an author can see who is buying their book and market another book and/or a service to those who bought their first book.

While media giants scramble for blockbuster print book moneymakers such as the \$10 million Springsteen autobiography reputedly in the works for years, these publishing companies leave many authors out in the cold.

Authors left out in the cold now have many alternatives: they can self-publish their own print books; create POD books (books that can be printed-on-demand as readers buy them); or create ebooks. But what do we mean by “ebooks”?

Dual Publishing Sectors

As I discussed above – there are now two discrete publishing sectors. The corporate sector aims at “wealth-building” for the few. At the same time, there is an economic sector referred to often as “the long tail” [wags the dog]. So, ebooks can refer quite different things, depending on which economic sector you’re talking about.

The goal aimed at in the long tail sector is for all in it to “make a decent living.” This sector is now three times as big as the publishing sector, but it is far from being a profitable one for all authors.

eReader ebooks. These ebooks can be books published or repurposed for corporate electronic readers sold by via the Web by large booksellers such as Amazon or Barnes and Noble (i.e., Kindle and Nook). Apple too has jumped into this market with its new iPad. Sony and others are quickly following suit.

Corporate-published eReader ebooks are being created for students in colleges and schools as well as for the general public. The *Financial Times* reported on October 26, 2009 (p12) “A pilot scheme to evaluate e-book technology in the classroom is underway at six colleges and business schools.” In 2009 governor Arnold Schwarzenegger called for all of California’s public school textbooks to become electronic.

eReader books pay more generous royalties than print books (30-50%), but they are also priced lower than print books. However, when you factor in publishers' discounts to bookstores and the costs of returned print books (i.e., remainders) along with publishers' "production costs" you might do even better than you imagine with an ebook even if it sells at a lower price than a printed edition from a publisher would.

PDF ebooks. The word "ebook" can also refer to a booming trend among professionals who create downloadable PDF files for online distribution. These files can be short articles or as long as a typical book.

Many of these downloadable ebooks, formatted in Adobe PDF for printing out, are free or low-cost “loss-leaders,” intended to start “selling conversations” with prospective clients for services offered by the professionals who write these ebooks.

Some of these downloadable ebooks are workbooks sold through shopping carts. Others are full-priced multimedia kits one buys online. The word, “ebook,” also encompasses chapters of self-published books offered for free or a low price to entice new customers to discover an author. Some “serial” ebooks are even supported by reader donations on authors’ web or blog sites.

Both kinds of ebooks are new, but they arise from two very different business models. In their stories about “ebooks” traditional corporate media, i.e., newspapers and television, usually are referring to books published by retail book and computer companies for the new E-readers that these corporations sell. PDF ebooks, on the other hand, belong more to the blogosphere.

Combining alternative and corporate publishing methods

These two business models do sometimes overlap. The tail sometimes wags the “master.” For example, a self-publishing writer may use the traditional Hollywood movie “trailer” or a TV appearance to promote their new book.

Small press books. It’s an individual choice as to what vehicle for promoting or distributing a book works best for each author. For example, in the last century Joyce Carol Oates switched back and forth between large American publishing houses and independent small press publishers to get all of her novels out.

Small press publishers still abound. Dustbooks now publishes the *International Directory of Little Magazines & Small Presses*. Dustbooks also puts out a *Directory of Small Press/Magazine Editors & Publishers*. Small presses are also listed in the *Literary Marketplace Directory (LMP)*. Independent presses, academic (college) presses, research institutes, and other institutions also publish books for those who want the services of a tried and true book publisher.

Choosing your own path

Authors today may enter self-publishing with a goal of eventually becoming picked up by traditional publishers or getting their work put out for electronic readers. Other self-publishing authors have no interest at all in getting an agent, publisher, or e-reader book contract. They’d rather be on their own. For all authors there’s a brand new frontier out there on the Web!

For more information about creating, manufacturing and marketing books in this century, please visit my Authormaps.com and WordmapsIndexing.com sites