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2008: A year full of change and transitions.

Global Ranking of the Publishing Industry 2009 Analysis: Trends and developments

2008 has been a hugely complex year for an industry in full change, facing the beginning of a severe financial crisis in the final quarter, but probably more importantly being hit in its international organisation by severe currency effects and by a continuing makeover of much of its traditional profile. So it comes with little surprise that the very identity and vision for the future of the publishing business is undergoing a process of debate and even some soul searching.

Stability plus structural change at the top

At the top, at least at a first glance, stability seems to reign. Among the top 7 global publishing corporations, not a single new entrant could emerge. The new number 1, Pearson – with this ranking including revenues from Pearson Education and the Penguin Group – looks back on a year of solid organic growth and profits being up by 11 percent, and Penguin standing out in a difficult environment notably for general trade publishers.

The fact that Thomson, last year's number 1, is currently found at rank 3 does not reflect any poor results at all. The change is due to the fact of Thomson's huge expansion with the takeover of Reuters and a restructuring, which put 2 bn \$ worth of revenues from Thomson Finance together with all of the Reuters services into a newly formed "Market Division". All the classical publishing – mostly of professional information – forms the other unit, labelled accordingly "Professional Division".

At more detailed scrutiny, Thomson Reuters actually turns out to be forming a class of its own. This started by spinning off its strong educational arm of Thomson Learning as Cengage Learning, which in 2008 was accounting for another almost 1.2 bn € of revenues – value coming out of the initial Thomson Corporation. The newly formatted giant of Thomson Reuters, with corporate revenues of 13.4 bn \$ is highly profitable (almost 2 bn \$ in 2008) and, probably as important, has been exceptionally successful in redefining its business model as it currently makes 89 % of its revenues from Electronic, Software & services, and only 11 % from print, with 86 % as recurring (e.g. subscription based) revenues, and 14% non-recurring.

This is the benchmark to look at for fully comprehending the drop of Bertelsmann's publishing activities (including for this ranking revenues from the Direct Group and Random House) from rank 3 to 5. Despite considerable efforts over the past years to reinvent the "Club" model – which used to be the seedbed for the corporation from the 1950s on - , it ended up by selling off considerable parts of Direct Group, notably the US branch, while its trade division Random House suffered from a combination of modest sales and significant currency effects.

With Readers Digest, another publisher grown from a Club concept, is confronting similar challenges as Direct Group.

Strong currency effects

The drop of the US dollar (and the British Sterling) against the Euro put its mark particularly on the top segment of the industry as many of the top 10 groups earn much of their revenues in dollars, yet report in Euros, e.g. Reed Elsevier, Wolters Kluwer, but also parts of Hachette Livres or, as mentioned before, Random House. In several cases, the currency effects made indeed all the difference between a profitable year and a (modest) loss.

A difficult year for trade – and a new global player

Despite all the trouble, there are several more stories of at least measured success to report. Hachette Livre – often named now Lagardère Publishing after its mother company – continued to grow (however not at home, as particularly “literature” and partworks in France were in decline), as did the Penguin Group at Pearson if one takes out currency effects.

The greatest leap upwards in the ranking was done, however, by Grupo Planeta as it acquired the French number 2, Editis from the Belgian Wendell investment group, turning the Spanish language market leader into a publishing group of truly global dimensions (moving up from #13 to #8, and thereby matching even Random House).

The rise of Planeta is even more astounding as the trade segment is overall in a steady decline. In the top 10, revenues dropped between 2006 and 2008 by some 7 percent while currency effects hit trade probably less than professional information or educational publishing, because trade is in most cases more based on domestic rather than global sales. Several large houses with a long tradition saw their sales coming under considerable pressure, as for instance at Simon and Schuster, or Rizzoli US.

Trade publishing is more than ever the turf of publishing groups whose headquarters are in Europe. The top trio is made of Bertelsmann (if one adds up Direct Group and Random House), Hachette Livre and the expanded Planeta – with Random House alone coming in fourth, followed by Italian De Agostini. Only then, Scholastic Trade and Harper Collins get into the ranks, followed by two Japanese giants, Shueisha and Kodansha, and Readers Digest as number 10.

Strong ambitions have been driving the Scandinavian Egmont Group as it bundled all of its Kids Media publishing activities in a new division bringing it to #23 and overtaking the other Nordic family brand of Bonnier.

Among trade publishing groups in the middle ranks, some companies contradict the general difficult environment for trade by developing well and at a steady pace over recent years, including Holtzbrinck, Oxford University Press, the Spanish Grupo Santillana, or the graphic novel specialist Marvel.

Professional Information and Education in transition

The Global Ranking 2009 reinforces one pattern that we have already observed in previous years: What used to be one integrated business of publishing has now turned into three worlds more and more set apart from each other, namely Professional Information (in which we include STM), Education and Trade.

These three lines are more and more separate in various regards. Thomson Reuters shows the pattern by emphasizing as strongly as possible its digital products and services, now preferring by far subscription models with a continuous stream of revenues instead of advertisement or sales per item. Taking into account both mergers and spin offs as well as currency effects in this truly global segment, particularly the wider scope of the top 20 indicates some solid growth, with Wiley (notably with gains from recently acquired Blackwell) being the other steam engine, but also Holtzbrinck's science division is doing well. Reed Elsevier, after selling off its educational unit of Harcourt, is smaller than a few years ago.

Educational publishing also shows some potential – or at least fantasies - for growth, coming however with significant question marks. The radical re-shuffling of one of its traditional market leaders, Houghton Mifflin (now Houghton Mifflin Harcourt) produced a huge pile of debt and hence considerable uncertainty about its future perspectives.

With the first half year of 2009 almost gone by and the general economic situation not showing any clear indicator for a recovery, and with the book markets in most of Europe and the USA showing negative growth, yet with considerable variations by country and segment, the outlook is not bright.

Altogether, 2008 may be seen in retrospective as a year of transition, with the traditional world of integrated publishing and the predominance of the book going bye, making more and more room for innovation, which includes differentiation, not to say fragmentation of markets and particularly of consumer habits preparing the path for a new – certainly more complex, more competitive – era that has a digital horizon coming into view not only for professional information, STM and educational publishing, but for trade – for what used to be just printed books – as well.

How this ranking was made

Initiated by the French book trade magazine Livres Hebdo, the Global Ranking of the Publishing Industry has been researched for the first time in 2007 (then based mostly on 2006 sales figures) by Rüdiger Wischenbart Content and Consulting and co-published by buchreport (Germany), Publishers Weekly (US), and The Bookseller (UK).

For the 2009 update presented hereby, revenue data as well as mergers and acquisitions are included only as far as they are integrated in the companies' financial reports of 2008, generally based on 2008 data, yet with a few exceptions indicated as such, when only 2007 data were available.

Most data are retrieved from company reports or direct communications from the companies, or alternatively national company databases or reliable trade magazine reports.

Accounted as “publishing” were all activities based on the publication and, in a secondary degree, the distribution of books of all kind, scientific journals and professional information in commercially run databases, while newspapers, wire services and magazines, as well as non-publishing revenues within those companies have been excluded in this ranking. As far as possible, only revenues from divisions

falling within this definition have been represented in the list. Research has been completed by the end of May 2009.

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