

New global digital publisher created

By [Marjorie Scardino](#)

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UK: By merging their respective book publishing interests held in Random House and Penguin Books, Bertelsmann and Pearson will create the world's first global consumer publishing company. It will lead - by a long way - in terms of size, geographic diversity and its range of authors and titles.



These are all part of the benefits the two participants say they expect from the merger, which represents a major step towards consolidation of the book publishing industry. The more important gains may lie in the sharing of resources, cost savings and the enlarged capital base of the merged business.

The growth of digital media and the inroads made by Amazon and Apple are forcing structural change on the mainstream book publishing industry.

The businesses of Random House and Penguin will be combined in a new joint venture named Penguin Random House, owned 53% by the German firm, Bertelsmann, which is Europe's largest media group, and 47% by UK-based Pearson.

On the reported 2011 figures, it will have combined annual sales of £2,48bn. Random House, already the industry leader, reported revenues of £1,7bn (£1,48bn) and operating profit of £185m (£161m). Penguin's revenues were £1bn and operating profit £111m.

Pearson CE Marjorie Scardino says that together, the two publishers will be able to share a large part of their costs, to invest more for their author and reader constituencies and to be more adventurous in trying new models in the fastmoving world of digital books and digital readers.

An announcement last month that Scardino will step down as Pearson CE at the end of this year triggered speculation the group could sell the FT Group, owner of the Financial Times and other business media assets, including 50% stakes in the Economist Group and in BDFM Media, publisher of the Financial Mail and Business Day. After restructuring during Scardino's 16-year tenure, Pearson derives 75% of its sales from education; FT Group contributes 8% and Penguin 17%.

Under the terms of the merger agreement, neither Pearson nor Bertelsmann may sell any part of their shareholding in Penguin Random House for three years. Whether Pearson will want to retain its minority stake in the long run is another question.

Source: Financial Mail

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