

Penguin and Random House Merger

Written by Ginny Grimsley
Monday, 29 October 2012 14:04

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Publishers, Weakly: What The
Penguin/Random House Merger Really
Means
By: Michael Levin

When I saw the word “synergies” applied to the proposed merger of publishing giants Penguin and Random House, I laughed out loud. “Synergies” is Wall Street-speak for “Let’s merge two failing companies, fire half the employees, run the resulting business more cheaply, suck out all the money we can as quickly as we can, and then leave the wounded, gasping beast that is the resulting company to die a miserable, public death.”

Which is exactly why “synergies” best describes the merger of two of the biggest names in the publishing industry, which is wringing its hands over the immediate consequences of this deal, which really represents one more death rattle of the once thriving book publishing trade.

Here’s what happens now: lots of editorial, marketing, and other jobs will vanish. Agents will have fewer places to sell books. Fewer books will be published. Authors will get even less money (if that’s even possible, since some publishers are paying zero advances whenever they can get away with it). And the pontificators will pontificate on what it all means to society (not much, since most of society has already given up on reading books).

Here’s what happens next: the remaining major publishers will find it harder to compete,

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because the resulting publisher (Penguin House?) will be able to produce books more cheaply. So they'll fire people, merge, fire more people, and eventually roll over and die.

All because publishers never figured out how to deal with the Internet and how to sell books in a wired world.

All because publishers considered themselves "special" and thought they could get away with selling products they didn't market.

All because publishers are English majors wearing Daddy's work clothes and pretending to be business people, running their businesses on whim and gut feeling instead of figuring out what people want and giving it to them, the way smart businesses work.

I have no pity for the fallen publishers. In Wall Street terms, there isn't enough lipstick in the world to make these pigs kissable. They had the responsibility to shape society by providing it with books worth reading, to create a cultural legacy for our generation and generations to come. And instead, what did they give us?

Ann Coulter, Navy SEALs, and Fifty Shades of Gray.

The publishers will blame everyone in sight for their predicament, but this is a self-inflicted wound; what the Brits would call an "own goal."

You can't run a successful business passively waiting for people (in this case, literary agents) to tell you what you should produce.

You can't run a successful business by throwing 10,000 strands of spaghetti (or 10,000 books a year, in Random House's case) against the wall of public opinion and seeing what sticks.

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You can't run a successful business selling information in the form of printed books by putting them on trucks to distant cities, hoping that booksellers (anyone who can fog a mirror, run a cash register and repeat the phrase, "We don't have it but we could order it for you") will actively work to sell your stuff to people.

Bottom line: you can't run a successful business when you are essentially competing with yourself. If Barnes & Noble doesn't sell a Simon & Schuster book within three weeks, it sends the book back to Simon & Schuster, at Simon & Schuster's expense, only to have that same space on the shelf filled with...wait for it...a different Simon & Schuster book.

That's not marketing.

That's masochism.

A New York editor who worked at Penguin once told me that his boss called all the employees into a meeting and said, "If there's any merger talk, you'll hear about it from me and not from the New York Times."

A few days later, he was reading The New York Times on the subway on the way to work, and read that Penguin was merging with another publisher.

Here we go again.

If it weren't for Fifty Shades of Gray, Random House (and Barnes & Noble, for that matter) would have been on life support. There would have been nothing left to merge.

Penguin's owner, Pearson LLC, is the smartest guy in the room, dumping off Penguin's trade publishing on Bertelsmann, a German conglomerate which somehow still thinks it can make money selling books.

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And now a few thousand more publishing employees are going to leave the world of books and hit the bricks.

So let the handwringing begin. The collapse of a once proud industry has taken a giant step forward. And there ain't no synergies in that.

New York Times best selling author and Shark Tank survivor Michael Levin runs www.BusinessGhost.com, and is a nationally acknowledged thought leader on the future of book publishing.