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Publisher of the Year

Perseus Books Group

by *Jim Millot* – Publishers Weekly, 12/3/2007

It may take a village to raise a child, but it's taken 630 employees scattered across the country to build the Perseus Books Group into what is arguably the most important independent publishing company in the nation, a feat that has made the decade-old company PW's Publisher of the Year.

While Perseus has its roots in the mid-1990s, when millionaire investor Frank Pearl set out to establish an independent publisher that would focus on the publication of serious nonfiction, it's been in the last 18 months that the company, through a series of high-profile acquisitions, has solidified its place among the industry's elite. By taking on the contracts of 124 publishers formerly distributed by the bankrupt PGW, Perseus became the country's largest independent distributor, while its purchase of the Avalon Publishing Group broadened its presence among independent presses. The two major additions did not occur without some pain, particularly as both the integration of PGW and Avalon into Perseus involved job cuts. And, as happens any time publishers change distributors, there were some complaints about the transition process.

The Avalon and PGW deals followed other recent acquisitions of Consortium and CDS to create not only the largest distributor in the country but one of the largest independent publishers as well. The executive team that has orchestrated the creation of Perseus is led by president and CEO David Steinberger and his second in command, Joe Mangan, Perseus COO. But the man who se vision



The Perseus Books Group senior management team.

is Perseus is the publicity- (and camera-) shy Pearl, the influential, Washington-based deal maker with a love of quality books.

In an rare interview, Pearl says he was motivated to enter publishing when he saw the types of books that he likes to read going out of print. "I saw some patterns that I didn't think were too smart," says Pearl, citing in particular the decision by the major publishers to focus their efforts on bestsellers, often to the detriment of the rest of their lists. After a further review of the industry, Pearl determined that a company concentrating on building a backlist could carve a profitable niche in the land of frontlist giants. To Pearl, the heart of publishing—backlist—is a good business, an annuity.

To remain independent and competitive, however, Perseus needed to develop more scale, prompting its move into the distribution business in 2005 with its purchase of CDS. Steinberger notes that there are "more challenges than ever" for independent publishers with "giant publishers selling to giant retailers." To give independent publishers a voice, it was necessary to build a company with some market muscle. And although many businessmen may not view distribution as the way to grow, Pearl li kes that side of the business. He says distribution has "comfortable" margins and is a source of reliable cash flow. The key to success, though, is to view distribution as a service business, not simply as a way to fill extra warehouse space or a way to drive unit costs down.

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VIRTUAL EDITION

That approach led Perseus to create three distinctive sales groups—Perseus Distribution Services, Consortium and PGW—that provide an array of services depending on the needs of its client publishers. “We’re always thinking about what services we can add,” Steinberger notes. Morgan Entekin, publisher of Grove/Atlantic, one of Perseus’s largest distribution clients, agreed that one of the greatest strengths of the Perseus management team is its willingness to listen to suggestions. He cites as one example Perseus’s decision, based partly at his urging, to keep an international sales force in place.

The addition of PGW added the necessary bulk to Perseus’s existing distribution operation, but it was how PGW was integrated into Perseus that made 2007 a milestone year, rather than a disastrous one. Between March 1 and August 1, Perseus brought online another fully functioning warehouse, a process that can take up to a year. “It was a heroic job by a lot of people,” Mangan says. “It’s gone better than I expected, and the publishers have been very understanding.” With PGW’s clients in place, Perseus now has 1.2 million square feet of warehouse space in Jackson, Tenn., holding between 40 million and 45 million books.

“Looking back, I’m amazed at how quickly and relatively painlessly it went,” Entekin says of the time between AMS/PGW filing for bankruptcy and Perseus moving the PGW clients into Jackson. Speed was essential for Perseus in dealing with PGW. “We were looking for a way to structure a deal that could throw a lifeline to PGW’s publishers,” Mangan says. Adds Steinberger: “We knew we had to move quickly to be of real help to the publishers, and to keep the PGW staff intact.” In doing the PGW deal, the value of being part of Perseus Capital LLC, the equity group headed by Pearl, came to the fore. “Perseus Capital had experience with bankruptcies and brought the right people to the table,” Steinberger says. And, as Pearl notes, capital wasn’t an issue. The end result, observes Entekin, is “the strongest platform independent publishers have ever had.”

Adding Avalon

Similar to the way PGW added scale to Perseus’s distribution business, the Avalon acquisition brought critical mass to its publishing operation in such areas as travel and current affairs. “Avalon has brought great strength to our group,” Steinberger says. The integration of Avalon into Perseus also had some painful aspects, most notably the decision to shut the Carroll & Graf and Thunder’s Mouth imprints. Despite those closings, Perseus remains committed to a decentralized publishing approach—the company has 11 offices—and to building a business based on a model of modest advances and evergreen titles. Steinberger says Perseus is in “active conversation” with some of the industry’s largest retailers about “different ways to support backlist books. We want to find ways to keep good books working.”

That style, however, doesn’t mean the company can’t produce bestsellers. This fall, books such as *Skinny Bitch*, *The Sneaky Chef*, *This Moment on Earth*, *The Portable Atheist* and *Blackwater* have all hit various bestsellers lists. *Blackwater* is a good example of the flexibility Perseus has. The book, about the armed contractors in Iraq, hit the bestseller lists when it was released early in the year and then faded before resurfacing after Blackwater guards were accused of killing Iraqi civilians in September. “We can shift gears quickly and get books into the market channels when the opportunity is there,” Steinberger says.

When about 70% of the company’s revenue comes from backlist, technology also has been an important factor in Perseus’s growth. Sales through Amazon have been a huge factor, Pearl notes, and Steinberger hinted that more aggressive use of print-on-demand technology is coming in 2008. “We are a long tail company,” he notes. Another acquisition of a publishing company could also come next year, though the company is likely done buying distribution companies. “I think we can grow reasonably consistently by bringing on new clients,” Pearl says. Indeed, since the PGW deal closed, Perseus has added a total of 17 new clients, including the well-regarded MacAdam/Cage, to the PGW group, while Consortium has re-signed one of its most important publishers, Seven Stories. Leading conservative publisher Regnery became part of PDS in May. But Pearl believes there are still a few publishers that could benefit from being part of Perseus and that when Avalon is fully digested, Perseus will again be looking for the right acquisition opportunity. He wouldn’t put a limit on how large the Perseus Books Group might grow. “There is no natural ceiling,” he says.

Perseus’s effort to establish a significant independent publishing company is admired by colleagues and competitors alike. Peter Osnos, who partnered with Perseus to launch Public Affairs in 1997, says Perseus’s experience as an independent publisher has helped it to create a distribution company that is aware of the needs of indie houses, and has been successful at combining “state of the art systems with the spirit and dynamism of independent publishers.” And even Jed Lyons, who is building a hybrid publisher/distributor at Rowman & Littlefield/National Book Network similar to the Perseus model, and who competed for the PGW clients, applauds Perseus “for making a big bet on independent publishing. For that alone they deserve a lot of credit.”

Publishing Divisions

- Avalon Travel
- Basic Books
- Basic Civitas Books
- Da Capo Press
- Da Capo Lifelong Books
- Nation Books (joint venture partnership)
- Public Affairs (joint venture partnership)
- Running Press
- Seal Press



Perseus COO Joe Mangan and president David Steinberger. Photo © Leslie Jean-bart.



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