

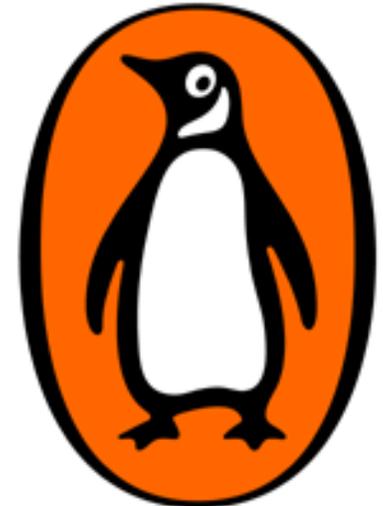
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# Penguin Buys Self-Publishing Platform Author Solutions for \$116 Million

*By Jeremy Greenfield, Editorial Director,  
Digital Book World, @JDGsaid*

In a bid to take a leading position in the growing self-publishing market, Penguin has acquired self-publishing platform Author Solutions from Bertram Capital, a San Mateo, Calif.-based venture-capital and private-equity firm, for \$116 million.



The acquisition comes less than a year after Penguin launched its own self-publishing platform, Book Country, and at a time when self-publishing firms are jockeying for favor with authors by offering new features and lower prices. A company statement about the acquisition did not mention Book Country.

“It’s early days. We haven’t thought in detail about Book Country,” said Penguin CEO John Makinson on a press conference call.

According to the company statement, Author Solutions generated \$100 million in revenue in 2011 and has been growing at about

12% per year for the past three years. The company derives its revenues from self-publishing authors paying for publishing, marketing and distribution services — roughly one third of its revenue from each business. Author Solutions has 150,000 authors who have published 190,000 books. By comparison, competitor [Smashwords](#) claims to have published approximately 140,000 titles by about 40,000 authors.

Neither company will be laying off employees or executives. “We are looking at up-sizing, not downsizing. There are no plans to alter the strategy, to lay off anyone. This is an opportunity for growth in our view,” Makinson said.

Author Solutions CEO Kevin Weiss will report to Makinson and will have a seat on the Penguin Group board. One reason for this organizational structure is that an early focus of the companies will be developing the Author Solutions international strategy, which Makinson will oversee.

Self-publishing platforms have been in a price and services arms race to attract more authors. Recently, Author Solutions had a promotion where it [offered authors 100% royalties on books published and distributed through the site](#), making its primary service free for many of its customers. The strategy was to sell authors marketing, editorial and other premium services. Weiss, the Author Solutions CEO, told Digital Book World in June before the promotion ended on July 4 that it had seen some success. The company also recently launched [BookStub](#), a service where authors can sell their e-books in person using a credit-card sized voucher with a picture of the book cover on one side and a product code on the other.

A new company called [Your Ebook Team just launched and says](#)

that it offers authors “360 degree” service, from editorial to distribution. Self-publishing site Lulu.com recently launched an “author advice” tool.

Author Solutions will be integrated into Penguin’s corporate structure but will continue to be run as a separate company. The company has about 1,600 employees, mostly in Bloomington, Ind. and Cebu City, the Philippines.

“As part of Penguin, we will be on the front-end of that change and have the broadest set of offerings of any publisher today. That means more opportunity for authors and more choice for readers,” said Weiss in the statement.

For now, the brands will be kept separate, but that could change in the future as the companies integrate, according to Weiss.

When asked about the possibility that Penguin’s reputation could be damaged, Makinson said that Penguin will take steps to make sure that buyers of Author Solutions books don’t think they are getting Penguin books.

Penguin, however, will take a look at the Author Solutions database of writers and titles to see if any are worthy of acquiring for the traditional publishing process. The company might go one step further and investigate new models for publishing somewhere in between self-publishing and traditional publishing.

“It will be interesting to explore opportunities that lie somewhere between self-publishing and traditional publishing as presently defined by Penguin,” said Makinson.

Author Solutions was founded in April 1996 by Tim Jacobs and David Hilliard as 1stBooks and was initially meant to be an e-book

company. The company was acquired in 2002 by Gazelle Tech Ventures, an Indiana-based venture capital firm. Bertram Capital purchased the company from Gazelle Tech Ventures in 2007.

With this acquisition, self-publishing may have turned a corner, according to Weiss. “When IBM gave its stamp of approval to the PC industry, what happened next was nothing short of remarkable. This feels like what happened with the PC industry back in the early eighties,” he said.

“The industry is changing rapidly and we don’t know where it’s going, but I think we have a much better opportunity working together creating change in the industry rather than having change thrust upon us,” said Weiss.

*Write to [Jeremy Greenfield](#)*

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