

— PUBLISHERS WEEKLY —

# BOOK PUBLISHING STARTUPS IN THE U.S. 2022

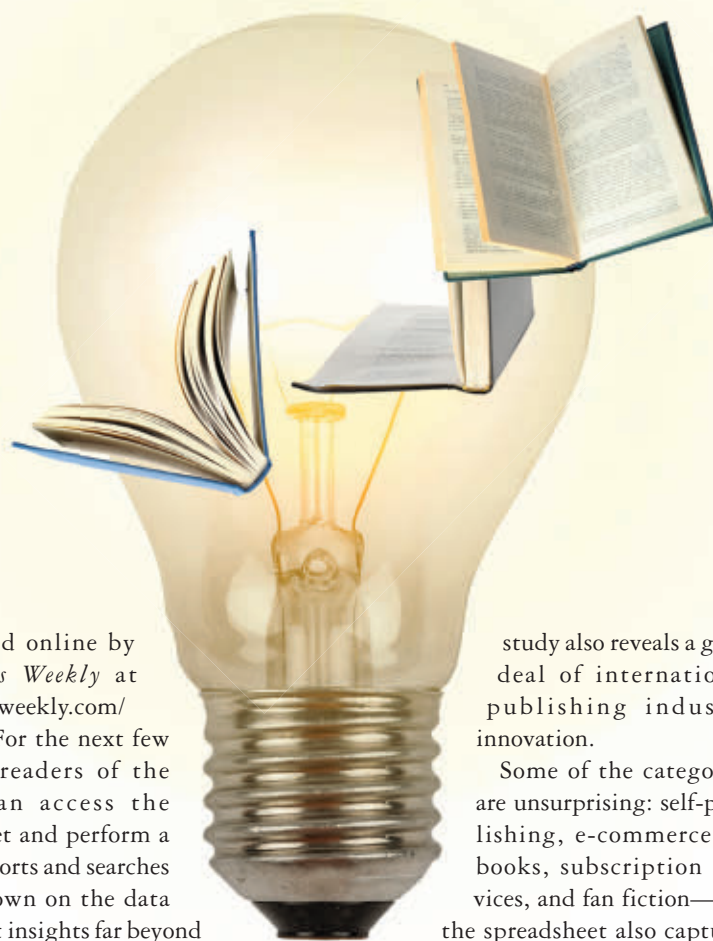
Industry Insights, Analysis, and Investment Opportunities



# PUBLISHING STARTUPS WINNERS & LOSERS

A NEW REPORT  
CHARTS HOW MORE  
THAN 1,300 VENTURES  
HAVE PERFORMED  
OVER THE PAST  
15 YEARS

BY THAD MCILROY



PHOTOS: iStock

## EXECUTIVE SUMMARY

**T**his report provides an overview of the English-language book publishing startup scene in the United States and around the world as of fall 2022. To the extent that startups capture the innovative spirit of an industry, this report is about publishing innovation.

There are three audiences for the report: the publishing startups themselves, service organizations that support the startup community, and the broad authoring, reading, and publishing communities that follow publishing startups to get insights into the future of publishing.

At the center of this effort is a spreadsheet of some 1,300 companies, almost all founded since Amazon launched the Kindle in 2007. The spreadsheet is a live document, constantly updated,

and hosted online by *Publishers Weekly* at [publishersweekly.com/startups](https://publishersweekly.com/startups). For the next few months, readers of the report can access the spreadsheet and perform a variety of sorts and searches to drill down on the data and extract insights far beyond what is documented here.

The listings are labeled “book publishing startups.” Some readers may assume that they cover, for example, new book publishing companies or their imprints. But really they are new ventures looking to help readers, authors, and, to a lesser extent, publishers themselves find innovative ways to operate and grow their businesses.

While the majority of these startups (more than 60%) are U.S. based, the

study also reveals a great deal of international publishing industry innovation.

Some of the categories are unsurprising: self-publishing, e-commerce for books, subscription services, and fan fiction—but the spreadsheet also captures activity in audio, comics, crowdfunding, AI, and NFTs.

The report evaluates the sectors supporting the startup universe: financial, legal, mentoring, and more. It also provides insights into how the Big Five publishers view startup opportunities, based on interviews with senior publishing executives, including their mergers and acquisitions teams.

The importance of intellectual property is discussed, noting the failure of

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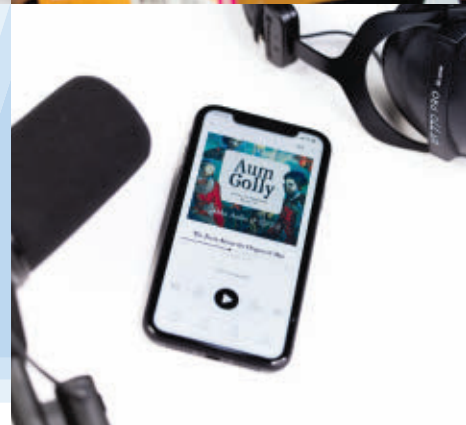
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many startups to embrace and monetize their IP assets.

The “addressable market opportunities” are defined and quantified, based on available data and estimates.

The spreadsheet contains key financial data on the startups—investments raised and dollars earned on exits. This data is analyzed in summary form. The spreadsheet identifies the markets that each startup serves, at four levels of specificity, and this data is also quantified and analyzed.

Notable acquisitions are cataloged and trends and opportunities are identified.

The publication of the report is part of a broader effort by *Publishers Weekly* to increase its coverage of startups and publishing innovation.

## INTRODUCTION

**H**igh-profile startups are everywhere, corralling the attention of entrepreneurs and investors and captivating the public with the energy and intrigue of startup culture. Think Steve Jobs and Steve Wozniak tinkering in a Los Altos, Calif., garage. Bill Gates and Mark Zuckerberg dropping out of Harvard. Millions of customers, but no revenue. Billion- and even trillion-dollar evaluations. It’s difficult not to feel the allure.

Of course, the publishing community has joined the startup party, attracting innovators and disruptors to this well-established industry. These entrepreneurs’ range of approaches is broad, from author services to online marketing, from reading clubs to fan communities, with some of their endeavors extending books into other media, or digital formats seeking to replace the “bookish object.”

As the saying goes: on the internet nobody knows you’re a dog. To that end, it’s sometimes hard to tell what’s behind the curtain of some of these web startups. Some are one-person efforts, with a lonely dream of remaking how books are made, discovered, or sold. Others are multimillion-dollar companies with hundreds of employees. Success varies widely. Many of the startups fail in short order, while others have sold for hundreds of millions of dollars.

What makes each of the more than 1,300 listings in the spreadsheet particularly valuable is that it includes the following:

- + A brief mission statement and a description of the type of product or service provided, classified by category
- + The amount of declared funding received since founding
- + Whether the startup is still in business or has merged, been acquired, or is

publicly listed

Just as important, the report also includes summary data that serves to define the scope of the book startup community, including the parameters below:

- + Total funds raised by all startups
- + Average (and median) funds raised per company
- + The percentage of startups with declared funding as well as exits via acquisition, merger, IPO, or having ceased business entirely

This provides a measure of the extent of startup activity within the larger book publishing industry, and across the broader startup scene in the United States.

## TRACKING DOWN PUBLISHING STARTUPS

**I** began compiling this list in early 2012 after participating in a panel at the Tools of Change conference discussing where publishing startups were headed. At the time, Michael Bashkar had posted online a list of some 300 companies, covering “writing, publishing, bookselling, blogging, agency work, and people tangentially related to the industry.” It was a great starting point. In January 2014, I published the first version of my spreadsheet, including 600 companies. The second edition, published online in January 2017, featured 900 entries, with much more data about each company. This third edition catalogs roughly 1,300 startups. (I’ve omitted 100-plus companies that don’t include the U.S. in their customer focus.) All of the earlier listings have been rechecked and updated with their current status.

I want to call the list authoritative—I would be surprised if I’m missing more than a couple dozen smaller companies. But the pace of startup creation continues, and I continue to track new company formation.

How do I discover startups? Usually there’s an article in one of the publishing industry magazines or blogs, or, frequently, in a general interest magazine or newspaper—people never tire of reading insider stories about the publishing



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## EREWHON BOOKS

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October 2022



## DAW BOOKS

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July 2022



## PAPERCUTZ

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August 2022

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## B.E.S. PUBLISHING

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## COMMONWEALTH EDITIONS

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## CASLON PUBLISHING

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April 2022

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industry (“Company X Seeks to Reinvent Book Publishing” is a common headline). The article will often suggest a new category of startups, with NFTs being a recent example. And then my online searching begins, leading me to startup websites and funding databases.

At that point, working with a researcher (who has both a library science degree and an MBA!), I track down the specifics: the company website, product offerings, money raised, operational status, and so on.

The current status of many of these startups can be fiendishly difficult to ascertain. All it takes to look like a startup company is a half-decent website. The company may already be long gone—the founder forlornly renewing the annual website registration, just in case. And so we turn also to secondary sources. Most companies sign up for Facebook, LinkedIn, Twitter, and other social media, and we can find their last tweet or post. The Internet Archive reveals previous iterations of company websites. If we can track down the founder/CEO (usually via LinkedIn) we can ask them for info, but their answers are not always straightforward. As a matter of policy, I err on the side of assuming a going concern, rather than prematurely issuing a death certificate to the startup. I’m always grateful to be able to post corrections to the online spreadsheet.

## DEFINITIONS

I define these listings as “book publishing startups.” I want to break down both parts of that equation: book publishing and startup. I’ll also explore how a minority of these startups target book publishing companies; their markets are more often writers and readers.

Book publishing is often described as a single industry, but it’s in fact far more diverse. I find this broad definition by Bill Kasdorf, principal at Kasdorf & Associates, to be helpful: trade publishers publish mainly fiction and non-fiction books, including children’s titles, sold through retail channels. Scholarly

publishers publish the results of research in books and journals provided mainly to libraries, scholars, and researchers by aggregators and hosting services. Educational publishers publish content, typically as textbooks augmented and enhanced by platforms, for teaching in schools, colleges, and universities. I focused primarily on general trade publishing in compiling this list.

The children’s book side of trade publishing was relatively easy to sort out: included are those companies that are explicit about rethinking children’s print books and about providing book-like information and entertainment to children in digital formats.

Scholarly publishing was a challenge, because most of the startups in that category are providing new tools and services that go beyond book publishing rather than replacing the existing publishing element. Some solely target journal publishing, not books (called monographs by many of these publishers). Only a small

*“The current status of many of these startups can be fiendishly difficult to ascertain. All it takes to look like a startup company is a half-decent website.”*

number of companies on my list have a scholarly publishing focus—though there are many other startups in the space. There is also an ever-increasing number of organizations, mostly nonprofit, supporting open source publishing. With a few exceptions, nonprofits are not included in the spreadsheet.

Educational publishing also posed a dilemma. Most of the startups in the field of education are not intrinsically “publishing startups”. Rather than bringing new types of digital publications

to education they are mostly devoted to moving well beyond the textbook. And so the educational companies listed here generally have a more traditional view of educational/textbook publishing.

## STARTUPEDNESS

What is a startup? In theory, of course, it’s a new business of any sort. But I also recognize a kind of existential notion of a startup versus just a new business (startupedness?). For example, dozens of new indie bookstores opened in 2022, but they’re not included on this list. Nor are new publishing companies or imprints. Startups tend to see themselves as a new type of business, with new approaches to existing challenges. The definition can be loose.

An essential aspect of startups is technology that can scale. Think of it this way: an editorial services company is hands-on. Each new author and each new manuscript requires personal care. One editor might tackle two or three projects at a time, but if more projects arrive then more editors need to be hired. Meanwhile, a tool like Grammarly can process several thousand raw manuscripts simultaneously, with roughly the same number of staff. That’s scalability.

I specifically use the example of Grammarly to make another point about these listings. Grammarly is not included on this list. While the tool is used by many writers and editors, that’s not the primary audience for the product—it mostly targets students and businesses. And so I left it out.

On the other hand, Scrivener is included, as it’s a tool specifically targeted to authors (and hence to editors and publishers). Scrivener illustrates another characteristic of the list. There is no company called Scrivener—the product, introduced in 2007, is provided by the U.K. startup Literature and Latte. However, most people seeking information on Scrivener would simply search “Scrivener” in the spreadsheet, and so the product name receives an entry here, with a reference to Literature and Latte

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as the main listing.

I wasn't sure what to do with the big tech companies—such as Adobe, Google, Microsoft, and Sony—that have played in the publishing space and have provided impetus and/or enabling technologies. But they don't fit beside small independent startups, and so they're not represented here. On the other hand, Amazon is on the list, because it began as an online book retailer.

More than 60% of these startups are based in the U.S. The rest are grouped into two categories of international startups. First there's the large group (more than 200) from other English countries, mostly Australia, Canada, and the U.K. Second is the international startups, which include support for English-language users in the United States, marketing their offerings beyond their home country. Both India and China are well represented on this list. (Also included is a small group of startups targeting Spanish-language readers in the U.S.)

I have used 2007 as the nominal date for inclusion in this report, the year both the iPhone and the Kindle were introduced, but some of the companies were founded before that date and are included because they are former startups that continue to be relevant in their competitive space.

## AUDIOBOOKS AND PODCASTS

**A**udiobooks have been a consistent source of growth for the publishing industry for the better part of a decade. That growth is flattening, but it's still up 12.8% in the past year. The last annual report from the Association of American Publishers clocked audiobook sales at \$1.75 billion (versus e-books' \$1.97 billion). Amid this, podcasting has blossomed.

It's easy to categorize audiobook companies as publishing startups, but what about podcasters? Not so much; few are listed here. Audio as a broader category is also a fine line—does an audio production company that, in part, enables

audiobook narration count? I think not. And so I've drawn another (fuzzy) line across this category.

## COMICS, GRAPHIC NOVELS, MANGA (AND ANIME)

**T**his is another remarkable publishing growth segment—sales of comics and graphic novels grew by more than 60% in 2021—and another segment with blurred lines in this report. It's easy to exclude purely print publishers from a tech-focused listing. But this format is increasingly digital—and anime, when adapted from manga, seems close enough to “publishing” to merit its inclusion.

Here's a telling example: the Japanese manga *The Prince of Tennis* morphed into an anime series, and then to live action films and TV, stage musicals, radio programs, and video games. When did it cease being about “publishing”? I'll consider the media blur further below.

## SELF-PUBLISHING, INDEPENDENT PUBLISHING, AND HYBRID PUBLISHING

**W**hile self-publishing first came to prominence through the tireless evangelizing of Dan Poynter (his *Self-Publishing Manual* was published back in 1979), the industry didn't really blossom until the Kindle brought e-books to the masses. While there is no official data available, self-published book sales now account for billions of dollars (Amazon's Kindle Unlimited program alone distributes more than \$500 million per year in author royalties to independent authors, clearly representing a multibillion-dollar “department” within Amazon's much larger e-book sales efforts.)

Self-publishing is now often—and better—categorized as “independent publishing,” but I've stayed with the more familiar term here. It was a challenge deciding whether each new author service provider should be included in this listing. There are hundreds. Self-

publishing, and hybrid publishing, described below, are in themselves innovative, but the companies are mainly copycats of one another, and not particularly innovative beyond the core model. And so I've listed those organizations that operate at scale, with more than a couple of employees and a few dozen authors, and/or include some proprietary technology as part of their service offering.

Into this mix comes the hybrid publisher. As the name suggests, hybrid publishers are a cross between self-publishing practitioners and the traditional



publishing model. The hybrid industry has been beset by controversy, where the worst players most closely resemble the infamous first vanity press, Vantage Publishing (founded in 1949)—a business model that could be summed up as “you give us thousands of dollars and we'll pretend to professionally publish your book.” The Independent Book Publishers Association has been diligent in trying to bring order to this sector, and now offers Hybrid Publisher Criteria, an unambiguous set of guidelines for professional hybrid publishing. Only companies that adhere to that standard are represented here, but again with an eye to those that have scaled their operations.



## MEDIA CONVERGENCE

**T**oday print is merely one way to experience storytelling. Describing our era as the ‘late age of print,’ as some have done, expresses the book’s waning influence within a crowded media ecology. Stories now migrate across different channels, only one of which is books. In addition, the high degree of media convergence characteristic of today’s marketplace makes it difficult to separate books, audiobooks, and other media as neatly as we once did. Even the divide between reading a book and watching a film is less antagonistic than it was for previous generations. Literature and the mass media are viewed by many as co-conspirators, not mortal enemies, in today’s literary culture.” —from *The Untold Story of the Talking Book* by Matthew Rubery

As I continue my focus on startups recognizable to someone who works with bookish authors, I also embrace the truth contained in the quotation above. While currently most obvious in the comics and graphic novels space, publishing media is constantly morphing, and the “book publishing industry” can be seen also as a media industry, a cultural industry, or an entertainment industry. The implications will continue to play out against my definitions of book publishing startups.

## IMPORTANT STARTUPS THAT AREN'T PUBLISHING STARTUPS

**W**hile Kickstarter has raised millions for publishing projects, it wasn't established with publishing as its core focus. (In Kickstarter's early messaging, it appealed to “artists, designers, filmmakers, musicians, journalists, inventors, explorers.”) BookTok is currently the hottest medium for book promotion, but is part of TikTok, “the world’s leading destination for short-form mobile

videos.” Each of these have more influence on the publishing industry than many of the startups profiled here, but, for the sake of rigor, do not appear in the startup listings.

Worth noting also are several multifaceted startups that defy easy categorization, mainly the e-commerce players that are also author publishing platforms. Take Amazon: it provides a dedicated hardware e-reader, e-reading apps, book and e-book retail, and e-book subscriptions, as well as the leading self-publishing platform—all in addition to being a publisher itself. These products and services

were launched within Amazon in a manner somewhat akin to startups, but because they aren't separate companies—all of these programs and services appear on the Amazon platform—there's just a single listing for Amazon in the spreadsheet. (Audible has its own entry, as it's still operated as a standalone company.)

So what about the Nook? Barnes & Noble isn't a startup, and the Nook was developed internally. I've included it because it would otherwise feel like an omission. Apple's iBooks (now called Apple Books)—an app, online bookstore, and an authoring application (discontinued in 2020)—appears for the same reason.

## INVESTORS, LAWYERS, AND ADVISERS

**S**tartups require extensive support in many forms—including financial, legal, and general business counsel—at all stages of their development, and I'll be compiling a separate spreadsheet of these “supporters” of the publishing startup sector.

When researching the investors who have backed publishing startups, few patterns emerge. Most of them seem to have been drawn to a single pitch rather

than to the publishing sector itself (which some besmirch as a no-growth industry).

Lawyers who can help publishing startups specialize across the startup practice area, not within a single sector. Firms like Cooley, Fenwick & West, and Wilson Sonsini are some prominent examples. There are numerous individual attorneys serving the publishing community who are not tightly focused on startups per se.

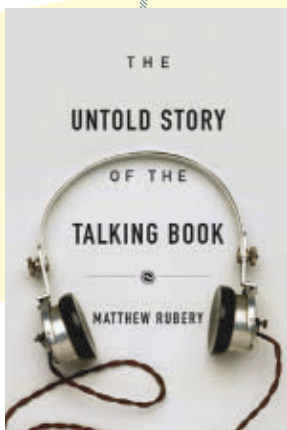
There are also a cadre of advisers who have coached one or more publishing startups. We could use more.

## PATENTS AND INTELLECTUAL PROPERTY

**I**ntellectual property spans trademarks, copyrights, patents, and more. For startups, much of the value resides in patents. Amazon, Apple, and Google have a slew of them related to publishing. Most startups do not. Scribd has a 2014 patent for an “integrated document viewer.” Kobo has a 2015 patent for “content-based similarity detection.” Storyfit's 2021 patent covers “predictive analytics diagnostic system and results on market viability and audience metrics for scripted media.” Touchpress, the onetime developer of innovative bookish apps, held a patent—since abandoned—for an interactive “story development tool.” There are no doubt others.

A 2016 study showed that “patent approvals have a substantial and long lasting impact on startups: firms whose first patent application is approved create more jobs, enjoy faster sales growth, innovate more, and are more likely to go public or be acquired.”

Patents are expensive and time-consuming to document and register, and so startups are remiss when they fail to at least consider trademarks, which are less onerous to establish. As attorney Lloyd Jassin pointed out to me in an interview, “having a trademark attached to a startup is a real asset; it builds goodwill.”



I've not uncovered many registered trademarks at the startups studied here. Jassin suggests that the similarity of the names of several of the startups indicate that trademark registration may have been overlooked, and further, that some of these firms could be inviting litigation.

## PUBLISHERS' APPROACHES TO STARTUPS

There was a flurry of startup activity when e-commerce became increasingly dominant in book retail, e-books took hold in the market, and self-publishing blossomed. Each of the Big Five publishers got their feet wet in the startup pond—some through internal startup gestation, others through external investment. Some of the publishers were burned when their investments went astray.

In preparing this report, I sought insights from within those companies, and several were generous with their time, in particular if their remarks could remain anonymous. I felt that understanding how the companies approach startup innovation was far more important than putting anyone on the spot.

One executive referenced a frequent and perhaps accurate criticism of the publishing industry: it is neither agile nor innovative. Publishing can move at a glacial pace, and publishers are not early adopters.

Another executive observed that there have been bursts of enthusiasm for startups over the last dozen years, but when an investment didn't work out, it was perceived as a failure, not as a learning opportunity. Cynicism follows failure.

Often remarked was that the larger publishers feel that process innovation should be developed internally, not acquired from an outside startup. Why

pay a premium for a tool that they should be building in-house? At the same time, a publisher doesn't have to own a startup to license its technology.

But it's not that these publishers aren't paying attention to what's going on in the startup community. Each of the large publishers has executives charged with evaluating acquisitions (though most frequently of other publishing companies and their backlists).

Clayton Christensen's classic *The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail* is one of the cornerstones for understanding the importance of reinvention within established industries. Christensen studied companies that either collapsed or lost significant market share through their failure to embrace external innovation that was essential to their growth. The impact of Amazon on department stores and book retail is an obvious example.

Do the startups cataloged here threaten to disrupt the existing order of the publishing industry? Have they already done so? Publisher Ken Whyte, analyzing the transcripts of the recent Penguin Random

House-Simon & Schuster trial, points to how hard self-publishing has hit PRH's bottom line: its income from fantasy, mystery, romance, and science fiction titles fell from \$349.2 million to \$86.9 million between 2011 and 2019, "big chunks of which migrated to the self-publishing universe." That's disruption.

Hybrid publishers attract an increasing number of high-profile

public figures with offers of better royalty splits and greater publishing control, siphoning off bestsellers that would ordinarily have landed with the larger trade publishers.

The subscription model, which is kryptonite to trade publishers, continues to gain ground at Amazon, Scribd, Sweden's Storytel (internationally), and

at a host of smaller startups in this spreadsheet that are building their businesses on the subscription model.

Are NFTs disruptive? Is AI? The metaverse? Where will the next disruption come from?

## VULNERABILITIES

One in five of the startups in this spreadsheet has declared funding; the companies are mostly bootstrapped. Many of these publishing startups are not just lean, they're emaciated. In numerous cases there is no startup, per se—just a website and some good intentions. The marketing and promotion are scant.

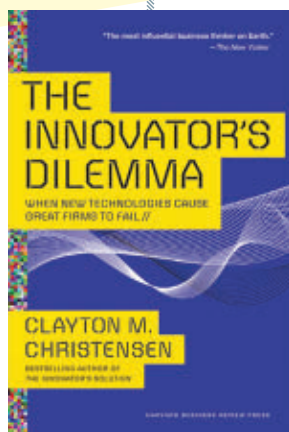
Too many of these startups are trying to fix a problem that doesn't exist. "Room for innovation" is quite different from "ripe for disruption." While few of the startups aim to disrupt the entire publishing business, several make claims to disrupting the editor's role, the agent's role, or the balance of power between writers and publishers or publishers and resellers. We shall see.

As Elizabeth Spiers puts it, too many startups "think incumbent companies are using broken models because they're idiots and not because the problems are not easily solved." Startups might better seek to innovate, not re-create.

Book publishing has never been a technology-adept industry, rather it is historically technology-averse. This is a challenge for the (minority of) tech-focused startups targeting existing publishing operations. Selling technology to publishing companies demands lots of costly hand-holding. Authors, too, are notoriously clumsy around technology, and there are limits to the complexity of products and services that can be directed their way. The availability and quality of customer support becomes a competitive advantage.

## MARKET SIZE

Part of the investor pitch for every startup is the total addressable market opportunity. The three principal markets these startups



target are publishers, authors, and readers.

I'll focus on some key data for the U.S. market, not the global opportunity—though many of these startups attract international customers and revenue. Sizing the U.S. book market leads to various estimates from varying sources. My interest here is largely trade publishing.

The Association of American Publishers recorded 2021 sales of \$15.4 billion, up 12.2% from 2020. This is based on their reporting publishers: the association then models the overall industry as roughly 65% larger than their core data, to some \$25.4 billion. Total modeled trade sales were reported at \$8.8 billion, up 11.9% from 2020.

NPD reports unit sales of print books at retail (it estimates that its BookScan captures 85% of trade print sales). Sales were 825.7 million units in 2021, up from 757.9 million in 2020.

The U.S. Census Bureau reported bookstore sales at \$9.03 billion in 2021, essentially flat against 2019 (2020 being an outlier because of Covid). With most stores also selling ancillary products, books of all types make up roughly 70% of the reported sales, and textbooks represent about 40% of book sales. The bureau separately noted that sales for “book publishers” in 2020 were \$25.6 billion (not far off the AAP model), without detail of the individual publishing sectors.

Bookstat is the go-to source for “below-the-radar” book sales, estimating that existing industry data misses 37% of e-book and audiobook sales and 60% of books purchased online (“untracked sales worth \$1.25 billion a year”). The company, recently acquired by Podium Audio, doesn't release its data to nonsubscribers, so the value is limited here, other than as a reminder that U.S. book

industry sales data is never canonical.

The pandemic proved to be a boon, sales-wise, for publishing companies, and while some of the gains have been lost in 2022, sales are generally higher than they were pre-Covid. But the pandemic has also led to supply chain problems, which, along with paper shortages, are driving up costs for publishers everywhere.

How many book publishers are there in the U.S.? If one defines book publishing broadly—including, for example, associations and governmental organizations, where publishing is but one activity—the number is in the tens of thousands. A Book Industry Study Group presentation at BookExpo 2008 estimated that there were 102,634 U.S. publishing entities at that time (based on active ISBNs), while its 2005 “Under the Radar” report estimated that there were approximately 63,000 publishers then.

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Tapas Media	Kakao	\$510
Epic	Byju's	\$500
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Kobo	Rakuten	\$315
Wondery	Amazon	\$300
Audible	Amazon	\$300
Goodreads	Amazon	\$150
Findaway	Spotify	\$123

But most analysts suggest a far lower number, closer to around 3,000. More to the point is the number of publishers that would buy specialized technology from an outside vendor. I don't know how to pin that down with any precision, but it's certainly closer to 3,000 than 100,000.

The stats on the global publishing market are spotty, but several estimates rank U.S. book sales at about 25% of the world total. The total number of book publishing companies worldwide might follow from that.

How many authors are active in English-language publishing? The U.S. Bureau of Labor Statistics identified 143,200 full-time "writers and authors" in 2020, but few of those were writers of books. And relatively few self-published authors rely on writing as their main source of income. But surely the active author pool must be closer to 500,000 than 150,000. It could be much higher—a million new books are published each year on Amazon. It's fair to say that most authors recognize that they need at least some help with editing, publishing, and marketing their books. But how much are they willing to pay for the assistance? Many of the startups profiled here are learning answers to that question.

And how many readers are there? In 2021, Pew estimated that 77% of Americans read at least one book the previous year (Gallup pegs the number at 83%). While most of those books were not purchased new, that's still a huge market. Add to that the readers of English-language books residing in other countries (over a billion people speak English as a second language), most of whom can be reached online.

Beyond total industry sales figures, there's not a lot of data on how much consumers actually spend on books. The Bureau of Labor Statistics estimates that each American spent \$92 on "reading" in 2019 (down from \$118 in 2016)—presumably that includes periodicals.

## THE SUMMARY DATA

Here are a few observations about the summary data collected for this report. There are more than 40% more listings in 2022 than in the 2017 edition, and many more countries are represented.

The total funds raised by all the startups is more than \$3.4 billion, over three-and-a-half times more than what had been raised five years ago. (The actual total is larger, but not all of the investments have been disclosed.) A

significant portion of the investment went to a dozen or so companies—Wattpad garnered \$118 million; Inkitt, a competitor, has raised \$80 million; and Scribd now boasts over \$100 million in outside funding. The average investment for all funded companies is \$12.9 million. The median is \$2.3 million.

If counting just the smaller investments—those at \$10 million or less—some \$425 million has been committed (up from \$218 million in 2017), an average of just above \$2 million per company. The median investment for those companies is \$1.2 million, a 20% increase from previous reporting. Nearly 21% of companies have received at least some funding, up from 15% in 2017.

Of the companies listed here, 37% are no longer in business, up from 31% in 2017. That's an increase, but given that this is a much larger spreadsheet, it does not indicate a trend line.

Nearly 10% of the companies have managed an exit of some sort, be it via merger, acquisition, or being listed on a stock exchange (6.1% had exited in 2017).

There have been three IPOs: Chegg, Digimarc, and, of course, Amazon. Within the past year, amid a broader market decline, Chegg's shares have decreased by some 8%, Digimarc's by 55%, and Amazon's by more than 45%.

Legible came to market in Toronto in December 2021 (and then in Frankfurt in 2022), via a reverse takeover, at a price of C\$1 per share, reached a high of C\$1.40 per share, but as of mid-November is trading for about C\$0.10 per share.

College bookstore operator Barnes & Noble Education was spun out from Barnes & Noble in 2015, and so doesn't qualify as a startup. It has had a rocky financial road and trades at 20% of its initial listed share price.

Where acquisition price data is available, an analysis of the ROI for investments in companies that went on to be acquired shows a 12.3 times return on invested dollars.



## NOTABLE ACQUISITIONS

Last year was by far the most active year for large-scale acquisitions of publishing startups. Wattpad's purchase by South Korea's Naver in January 2021 was the biggest earner, at \$600 million.

In response, in May 2021, Kakao Entertainment, also from South Korea, bought online comic app Tapas and serialized fiction app Radish, for \$510 million and \$440 million, respectively. By all accounts, Naver and Kakao are fierce competitors in the international online cartoon, serialized fiction, and e-book markets; there's nothing like competition for goosing acquisition target pricing.

In July 2021, Epic, a digital reading platform for kids, was acquired by India's Byju's, an educational technology company, for \$500 million in cash and stock. (Byju's has recently announced companywide layoffs.)

OverDrive has had the honor of being purchased twice, each time with a hefty price tag. Acquired first by Rakuten for \$410 million in 2015, it was passed along to KKR for \$775 million in 2019. (KKR is one of few players with multiple publishing-related investments, including Inkling and RBMedia—not to mention its multibillion-dollar acquisition of no-longer-dependent-on-legacy-print-media publishing company Axel Springer.)

Kobo was an early venture-backed success; Rakuten acquired the company in 2012 for \$315 million, providing investors with a 4.5x return on their investment. The company seemed initially to land as an albatross at Rakuten (in 2015, Rakuten reported a \$68 million impairment charge for Kobo), but the Japanese e-commerce superstar now reports that Kobo "is close to profitability."

## LATEST TRENDS AND OPPORTUNITIES

In the past two years, the most successful startup categories have been serialized/fan fiction reader communities. Wattpad, Inkitt, and Radish have proven that short serial fiction from mostly young novice writers works extremely well on mobile devices and can drive huge audiences. Readers have direct input regarding what gets promoted. Authors are earning real dollars.

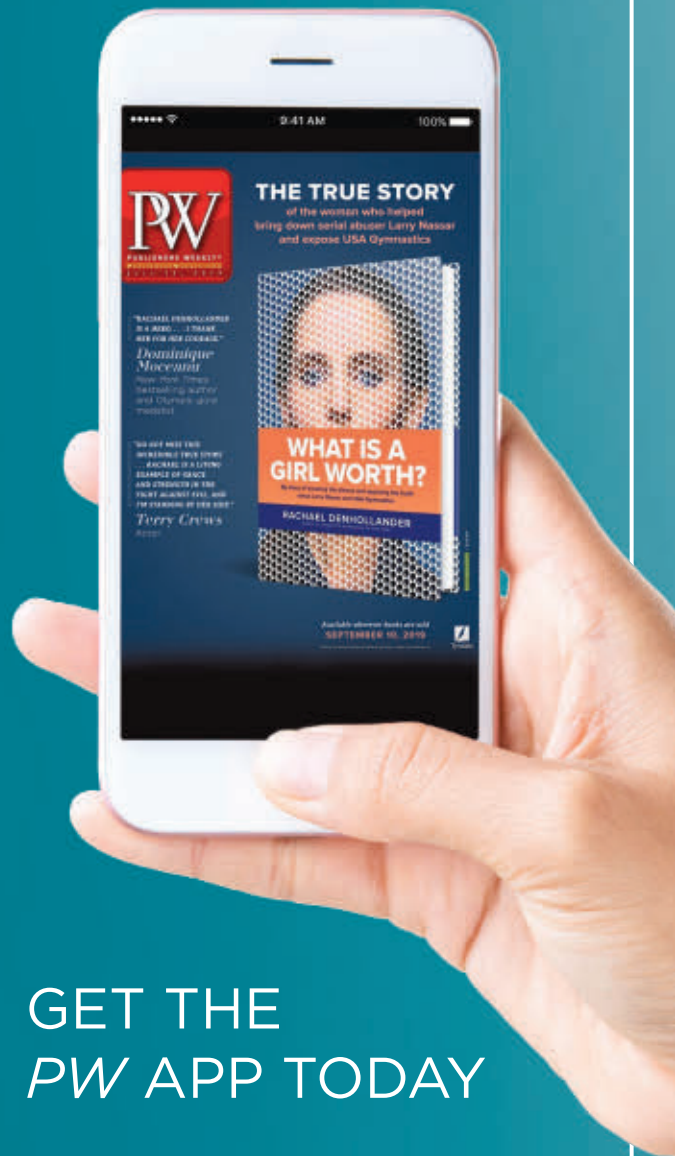
Between comics, graphic novels, and manga, narrative is also becoming more of a visual medium, driving the success of Tapas and others.

The extraordinary growth of audiobooks and podcasts continues to augur an industry surrounded by sound. Spotify's \$123 million purchase of Findaway, completed in 2022, reaffirms this.

Children's books startups are always hot, whether the intention is entertainment or education; the \$500 million Epic sale, mentioned above, being the latest example.

Book clubs and book discovery remain very active sectors. Tertia gained the most press attention this year, although

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Blinkist	\$35.1
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BookClub	\$26.0
Fingerprint	\$25.0
Blurb	\$24.1
Sidewalk	\$24.1
Wonderbly	\$22.8
Overleaf	\$22.7

it has dozens of competitors.

In the past few years, two technologies have become prominent that appear transformative: AI and blockchain/NFTs. The extent of their disruptive power isn't yet clear; the startups in these sectors are still small companies. The usage of AI-generated text (GPT-3) and images (DALL-E) is exploding—what this will mean to publishing startups is not yet known. NFT startups Creatokia and Book.io, profiled in

*Publishers Weekly* in October, are early successes in the blockchain/NFT space, though our spreadsheet lists more than 30 potential competitors.

## TARGET MARKETS

While updating the spreadsheet for republication, we made a substantial effort to drill down deeper into the target audiences for these startups. I had questions about whether the startups saw a

greater opportunity in selling tools to authors or in selling services to readers. And what types of tools and services provided such opportunities? I've now got some preliminary insights.

Startups target readers more often than authors, though both are well served. As anticipated, most startups don't see publishing companies as the largest market opportunity, but publishers are the focus for about 15% of these ventures.

There are more services on offer than tech-based tools, by a significant margin. I wonder whether most of the outside investment has gone toward one more than the other—that's the sort of question one can answer by sorting through the online spreadsheet.

I broke down the tools and services into some 23 subcategories to better understand where the startups see their greatest opportunities.

Self-publishing and retail/e-commerce are the largest categories, but there's substantial focus in other product types, including business systems, marketing tools, and original content. Some categories appear more crowded than the total market opportunity might warrant, including discovery, fan fiction, and blockchain/NFTs.

## CONCLUSIONS

This is a report about publishing innovation. Startups embody innovation—if a new idea, grounded in technology, is sufficiently innovative, it can drive a new business.

It's easy to get caught up in the numbers in the startups spreadsheet: markets targeted, products offered, and dollars raised. But what's the larger picture?

After a decade watching book publishing startups, I can attempt to draw some conclusions.

It's instructive to compare book publishing to other media industries, specifically music, motion pictures (including film and TV), and gaming. The first two have essentially eschewed their "physicality"—while one can still buy CDs, LPs,

and DVDs, these are for an ever-decreasing minority of purchasers. The gaming industry has lagged in full-digital adoption but is not far behind the others. And consumers increasingly interact with the content from these industries via subscription services.

If all books could be accessed by cost-effective Spotify- or Netflix-style subscriptions, would print sales be damaged? Surely. Eradicated? Certainly not. As long as print books make up a significant percentage of overall book sales, the bricks-and-mortar retail and distribution infrastructure needs to be maintained. That means, at least in part, retaining the existing industry dynamics. Most readers still connect with their favorite authors via ink on paper. Invariably this has an impact on the type of opportunities presented to book publishing startups, for better and for worse.

Self-publishing is the only part of the trade publishing industry that is nearly all digital—print makes up only a small percentage of sales for most independent

numbers are still huge. Reading, once a solitary activity, is now increasingly social, as most recently evidenced by BookTok and a host of startups here.

If a startup wants to target book publishers, it faces the challenge of B2B sales and marketing, which generally requires more investment and infrastructure than B2C.

## ADDITIONAL OBSERVATIONS

**A**longside tech-sector layoffs, the threat of a recession has dampened investor enthusiasm in late 2022.

Innovation has its peaks and valleys. Amazon engendered a host of innovation and then things slowed down. Enhanced e-books and bookish apps failed to gain traction. The broader publishing industry stalled. But, since Covid, there's new energy in publishing, and that's reflected in the startup activity.

As with many publishing companies and bookstores, people invest in publishing startups because publishing is an

It's important not to be misled by the failed efforts. The bulk of the companies in the spreadsheet are viable small businesses. Many have exited via merger or acquisition. Launching a startup within the book publishing ecosystem is a viable business endeavor.

But this is a marketplace begging for consolidation. Some offerings, like discovery and author services, are besieged with players with little product differentiation.

## THE REAL COMPETITION

**W**hen I think about disruption and opportunity in publishing-related ventures, I often return to Netflix CEO Reed Hastings's incisive evocation of his competition: if you think about your past 30 days, and analyze the evenings you did not watch Netflix, you can understand how broad our competition really is. Whether you played video games; surfed the web; watched a DVD, TVOD, or linear TV; wandered through YouTube; read a book; streamed Hulu or Amazon; or pirated content (hopefully not), you can see the market for relaxation time and disposable income is huge, and we are but a little boat in a vast sea.

In this same vast sea sail the 1,300 book publishing startups analyzed in this study. Their challenges go far beyond the dynamics of books and reading, but so too do their opportunities.

I hope this report will stimulate some ideas, some conversation, and even some new investment. If it can help sharpen a few business plans or plant a seed for another startup, I'll feel fully rewarded for the effort.

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*Thad McIlroy is an electronic publishing analyst and author based in San Francisco. His site, The Future of Publishing, provides in-depth coverage of the publishing industry. He is a partner in Publishing Technology Partners and an adjunct professor in the Masters of Publishing program at Pace University.*

*"Since Covid, there's new energy in publishing, and that's reflected in the startup activity."*

writers. Not coincidentally, a significant portion of those sales come from subscription platforms, mostly via Amazon Kindle Unlimited and Prime Reading, and via Audible for their audiobooks. (Scribd, meanwhile, had annual revenues of \$100 million as of 2019, a small fraction of Amazon's.)

Self-publishing sales growth has slowed from the heady early days, but thousands of new authors continue to join the ranks each year. Authors generally face greater challenges than readers, mostly surrounding discovery, providing a wide range of opportunities for startups.

There has been a modest decline in reading in the last decade, but the

industry that they love. More pragmatically, they understand the dynamics of the industry, and even if the financial opportunity is modest, they at least understand the startup's potential and the challenges it might face.

Many book publishing startups are so small that they don't really factor into the overall picture, other than as an entry in a spreadsheet. Their chance of raising investment dollars is essentially nil, even smaller than their market opportunity. There were times when I would look at a particularly half-hearted effort and think of dear Ebenezer Scrooge: "If they would rather die, they'd better do it, and decrease the surplus population."

## HOW TO USE THE SPREADSHEET

**T**he online spreadsheet that accompanies this report can be used in several ways. It's a rich canvas for anyone interested in publishing innovation. Start on the left-hand side and find a name that intrigues. Inferkit. What could that be? Click on the URL for more. Inferkit "offers a web interface and API for AI-based text generators. Whether you're a novelist or an app developer, there's something for you." Within the "authors" category, I classify it as an authoring tool, featuring AI. There are a half dozen similar tools that you can discover by searching through those categories.

For startups, the ability to drill down within multiple categories is a key feature. Who is your competition? I've been surprised by how few startups can answer that question clearly.

For investors interested in particular types of startups, that information is at hand. Want to consider an investment in one of the startups focused on crowdfunding? There are a dozen options to choose from. Interested in finding children's publishing startups that have raised between \$1 million and \$10 million? The spreadsheet can be searched at this level of detail.

The failed businesses can be as fascinating as those that are still in operation. What went wrong? There have been some very interesting ideas that failed to gain traction—several of which I think could be resuscitated. When I see in the Status column that a startup is no longer in business, I'll often click on the URL to see if the now-dormant website offers clues about the deceased. The Internet Archive can provide earlier versions of the site. Or I'll google the name of the firm, and old articles and posts usually appear. (If there's a company whose origins can't be excavated, send me an email.)

Specific instructions on how to understand and use the spreadsheet are contained in Appendix A.

## Appendix A: Understanding the Publishing Startups Spreadsheet

The previous edition of this report used a simple classification system with just 15 categories. That proved to be too broad to be useful.

For this new version of the report, we have significantly expanded the system to include three main types of classification, such that there are more than 200 combinations of categories that a company may fall into. The purpose here is to allow readers to better analyze startup activity by type, and to help entrepreneurs and investors to identify the competing players within a particular space.

The methodology is relatively straightforward.

The first category specifies the primary audience for each offering. By far the majority are authors or readers, followed by publishers, and with a small number directed to bookstores or libraries. Some startups target audiences of both authors and readers, fan fiction being the most notable example.

The second category defines whether the business provides a tool (aka a "product") or a service. A tool is generally a piece of software, usually hosted online (rather than downloadable), such as a book formatting tool or an app for organizing one's personal library. Services directed to authors usually aid in some aspect of self-publishing. Reader services include online book clubs and discovery apps.

As described above, most of the services listed here are enabled by technology; they are not strictly hands-on. Some offerings straddle the line between tools and services, but we've attempted to classify them by their primary characteristic.

The third category drills down one more level, to reveal the type of tool or service on offer. A book formatting tool is classified under "Production," while an app for organizing a personal library is classified under "E-reading." "Book clubs" have their own category, as does "Discovery." Each of these categories is

defined below.

Many companies provide products and services that bridge multiple categories. In every case we have tried to identify the primary category, though some of these choices are debatable.

There is in fact a fourth classification category, a fourth column, used in a few specific instances to add another level of specificity.

Because of the size and continuing growth of the audiobook market, when the tool or service is directly primarily to audio, this is noted, regardless of target market or the specifics of the offering. Artificial intelligence and machine learning remain an intriguing part of some of the newest startup offerings, and so "AI" is recorded when the company claims that their product or service is thus enabled or enhanced.

"Bargain" gets a notation because, following on the success of BookBub, there are now nearly 20 startups competing in this space. Crowdfunding is an important feature of more than a dozen startups, which is noteworthy in itself. Lastly, the novelty of blockchain and NFTs is drawing a lot of attention from entrepreneurs, and it's now possible to identify "Blockchain/NFTs" startups via this fourth column.

## Category Definitions

### AI

A fourth-column subcategory, AI (artificial intelligence) is a buzzy feature that many startups will claim enables some aspect of their tool or service. If this is noted on the company website, it's recorded on the spreadsheet, without an attempt to verify the claim.

### Audio

A fourth-column subcategory, this designation is for all tools and services primarily directed toward the audio market (though not always to audiobooks specifically), whether they target authors, readers, or publishers.

### Authors/Readers

Most of the startups have a specific focus



on authors or readers, not both. There are, however, instances where a startup targets both groups, mostly notably in fan fiction, where the readers are as important as the writers, and both derive real value from the service.

### **Authoring**

A tool or service to aid in the authoring of any kind of creative content intended for publication, be it writing, drawing, AI-image generation, etc.

### **Blockchain/NFTs**

A fourth-column subcategory, this includes dedicated NFT publishing and purchasing/reading platforms, as well as companies focused just on the blockchain and those where the blockchain or NFTs are a feature within a larger offering.

### **Book club**

An online gathering place for book readers—contrasted with “Book of the Month”—type clubs, which are classified here as “Subscription” services. Some book clubs emphasize their role as places for book discovery, but “Discovery” is its own category when that is the primary function of the tool or service.

### **Business systems**

Any software that helps authors or publishers (or even readers!) with day-to-day business operations.

### **Children’s**

This encompasses a range of tools and services, mostly for readers, where the overriding focus is on the children’s book market.

### **Crowdfunding**

A fourth-column subcategory, crowdfunding identifies those tools and services that include a crowdfunding feature as a primary part of the service or as part of a larger product offering.

### **Discovery**

This category is broad, but ordinarily refers to a tool or service that lets readers

discover new books or helps authors with getting their books discovered.

### **Education**

Education here refers to educational publishing. See also “Training.”

### **E-reading**

E-reading includes reading devices as well as tools to aid in online reading, like personal library organizational tools and text-to-speech.

### **Fan fiction**

This category consists mostly of sites that serve both writers and readers of fan fiction. I use the term “fan fiction” broadly, to designate any original fiction uploaded to reader communities, often by young novice writers, not intended for initial publication in book form.

### **Hybrid publisher**

Hybrid publishers are segmented separately from strictly self-publishing organizations. As the name suggests, they are a cross between self-publishing and a traditional publishing model.

### **Marketing**

Another broad category, anything intended to help an author or publisher sell more books.

### **Original content**

Many sites publish original content, as e-books or in other digital formats, and serve readers and/or authors. Where that original content is fan fiction, it is designated as such.

### **Production**

Tools or services to help authors and production convert their creations into a published format. (Editorial services are classified as “Authoring.”)

### **Retail/e-commerce**

Sites selling books, print or digital, primarily to the general public. This also includes sites with ecommerce-enabling technology.

### **Self-publishing**

A broad range of tools and services for independent authors.

### **Social**

Social communities that gather authors and/or readers.

### **Subscription**

Sites offering content primarily by subscription rather than one-time sale. Traditional retail book clubs, of the style of a “Book of the Month” club, are classified under “Subscription,” as are book boxes. The category appears sometimes in the fourth column, where the subscription aspect of the product is secondary.

### **Textbooks**

This category is mainly for companies offering used textbooks to students (or sometimes digital texts).

### **Training**

Training is mostly for authors, though it includes some book services providing training to the public. (This is distinct from “Education,” which relates more to the professional education market.)

## **Appendix B: Other Valuable Resources**

John B. Thompson’s 2021 *Book Wars*, while tending to the academic, is the most comprehensive account of the changes in publishing in the past two decades. The book covers Amazon’s rise, self-publishing, audiobooks, and much more.

Joanna Penn covers publishing innovation with a hands-on approach that’s more thorough than any I’ve seen.

For an in-depth understanding of why audiobooks have had such an enormous impact on the publishing industry, read Matthew Rubery’s *The Untold Story of the Talking Book*.

As described above, this report considers only a small number of education startups, those that have explicitly focused on books. Dealroom’s Edtech database lists more than 21,000 startups.

Crunchbase's feature 1,700.

*The Scholarly Kitchen* is an excellent blog covering innovation in the scholarly publishing space, as is Clarke & Esposito's newsletter *The Brief*.

Michael Cairns publishes the \$500 "Publishing Technology Software and Services Report 2021" report, describing "200 software and services companies popular with publishers." It includes interviews with some of the startups on my list (including Consonance, Firebrand, and Typéfi), as well as interviews with some of their customers.

Elle Griffin's fine article on NFTs, "The Crypto Revolution Wants to Reimagine Books," is an approachable but in-depth look at this late-breaking technology. Griffin also publishes a thoughtful newsletter that often ponders the future of publishing.

## Appendix C: Startups in Context

How can book publishing startups be contextualized against the broader community of business startups and venture capital activity?

The gross domestic product of the United States is \$25 trillion, and book publishing is a \$25 billion industry (or thereabouts). Last year, nearly 5.4 million new companies were tallied by the U.S. Census Bureau. This database catalogs a mere 1,300 companies formed over a 15-year period.

The National Venture Capital Association recorded \$995 billion in venture capital invested across the U.S. in 2021. Under \$1 billion of that went to publishing startups.

## WHY DO SO MANY STARTUPS FAIL?

**T**he data in this report can be evaluated against the broader success and failure rates across all startups in the U.S. But finding comparable data is tough. There's a challenge in differentiating between "success," "failure," "no longer in business," and so on.

At what point does "just an idea"

become a "business"? Is it when the company registers to do business in its state? Is a nominal amount of funding required? The minimum qualification to appear on this list is just a website, and a declared publishing focus. It's difficult to estimate the scale of each operation, and it was tough to figure out which of these companies is still in business in 2022.

CB Insights looks closely at startups and notes that "startup death is surprisingly hard to identify. Many startups are essentially dead but limp along for years in zombie-like fashion." They found that 55% of failed startups raised \$1 million or less. 71% of the deceased lasted less than two years after their last funding round.

In analyzing reports of failed startups, CB Insights found that the top reason for failure was the lack of a market need for their product (42%), followed by running out of cash (29%). More generally, U.S. Bureau of Labor Statistics data shows that 34% of businesses that fail do so within the first two years. After four years, that number rises to 56%, higher than the roughly 40% in this database that are no longer in business.

## ACCURACY OF THE REPORT DATABASE

**E**very effort has been made to verify the data in the report and accompanying spreadsheet, but additions and corrections are of course welcome. Please contact me at [thad@thefutureofpublishing.com](mailto:thad@thefutureofpublishing.com).

## ACKNOWLEDGMENTS

**M**ichael Bashkar's startup list helped seed this database, as did a similar effort from Nina Klein. Javier Celaya and his team at Dosdoce provided input on numerous international startups. Steffen Meier from Germany's Digital Publishing Report shared a listing of German startups.

Crunchbase was a valuable source of data on company funding.

Anne Pashley's tireless research efforts and her support for the project have

been indispensable.

I want also to thank Cliff Guren, Peter Hildick-Smith, David Lamb, and Lorraine Shanley for their feedback, encouragement, and support of this ongoing work, as well as everyone at *Publishers Weekly* who supported me editorially, in gaining report sponsors, and in the production of the report and the online hosting of the database.

## DISCLOSURES

**T**had McIlroy works as a journalist and industry analyst, and as a consultant to publishing companies and startups. He has in the past had business discussions with several of the companies mentioned in this report, though he currently has no business relationships with any of these companies. He is a member of Publishing Technology Partners, one of the sponsors of this report, and has worked in the past with David Lamb, whose Book Advisors LLC is also a report sponsor.

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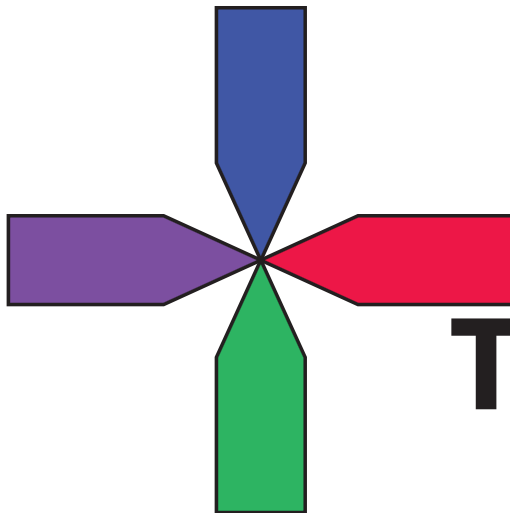
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