



Stanford eCorner

Publishers Act as Venture Capitalists

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May 09, 2012

Video URL: <http://ecorner.stanford.edu/videos/2958/Publishers-Act-as-Venture-Capitalists>

Brian Murray explains why publishing companies function much like venture capitalists, investing millions of dollars a year into developing new products in a culture business. Here the CEO and president of HarperCollins also articulates how the company leverages their understanding of the marketplace when placing bets on authors and projects.



Transcript

We absolutely are the bankers of this creative industry; we take the risk. A contract with an author is I think a really elegant contract. The incentives for the publisher and the author are completely aligned in every way. And what we do as publishers is we have - I mean we probably spend about \$200 million a year signing authors, every year. That's a lot of venture capital that goes into a cultural business. And we try to pick the best, make the best bets that we can. Sometimes we don't even have a finished book, I mean many times it's on an authors idea, it might be an outline, we're absolutely placing bets and using our understanding of the marketplace, and what's happening, what we think consumers are interested in, we're placing bets on authors that we think we can get behind. And as I said we really - the real success for us is when we do more than we expected. So we take those risks, we guarantee an author a certain amount of income so that they can write the book. They don't have to have a full time job, in theory, when they work with a publishing company, we will finance them, and they'll get payments as they hit milestones through the writing process.

And then we take all the risk in inventory and marketing and we try to sell that book and then we share proceeds with the author. So we are the venture capitalist. I mean when you think about the role we play, it's the financing - and I don't think that's going away in the digital world - it's the editorial helping shape and package the book for the best possible sales that you can get and the marketing to actually deliver it. Those three capabilities are fundamentally not going to change as we go forward. How we do them, that may change with all of the new marketing vehicles that are out there.