

Analysis of the Book Publishing Industry

Looking back at Taiwan's publishing industry in 2002, the good news includes the magic literature wave ignited by the Harry Potter series, the persistent popularity of mainland China-related publications, the Korean wave in the publishing industry, the hot sale of artist biographies, the recovery of the financial publications, the increased importance given to English learning books, the rapid emergence of healthcare books, the new fashion in Taiwan research and ecology books, and the brilliant sale of the illustrated books and so forth, all of which brought some recovery to the slump experienced lately by the publishing industry. On the other hand, the bankruptcy of Jin Hsiu Publishing and the Kuang Fu Group, the accounting dispute between Kingstone Books and the Nung Hsueh Agency, the aftereffects of the Senseio Bookstore incident, and the increasing rate of book returns, all revealed the generally unhealthy situation of Taiwan's publishing industry, and which resulted in difficult the hard conditions for publication companies. In spite of these unfavorable circumstances, however, the volume of Taiwan's publications remains high, with the strategy of "publishing new books while making money from old books" has been adopted by most publishers. For them, therefore, weathering the current crisis has been most important. Whether or not this will lead to future downturns is merely a future concern. Many senior publishers have begun their own publishing businesses recently. These include Kuo Chong Shing's **Republic**, Chen Yu Hang's **Yi Fang**, Yan Hisun Juan's **Ya Yan Wen**

Hua, Shen Yun Cong's **Morning Finance**, Jiao Tong's **Er Yu**, and Chu Min An's **Yin Ke**, all of which display a hope for the future of Taiwan's publishing industry. Generally speaking, the overall structure of Taiwan's publishing industry has experienced only small changes in 2002.

Herein, based on results from research of the book industry in 2002, a longitudinal comparison will be made with those contained in the *2000 Taiwan Publishing Market Report*¹, in order to investigate the evolution of Taiwan's publishing industry. At the same time, a transverse comparison with China's publishing industry will be undertaken, based on the *Basic Information on National Press and Publishing industry in 2002*² and the *Brief Statistic on National Copyright Condition in 2002*³. Regarding overseas regions, because of a lack of comprehensive research data, only relevant publication information will be referenced. From all of these, and through a knowledge and comparison of other country's publishing industries, it is hoped to draw a relatively comprehensive picture and analysis of Taiwan's overall publishing industry in 2002.

¹ The *2000 Taiwan Publishing Market Report* was undertaken by the Council for Cultural Affairs; no similar official research was undertaken in 2001. In addition to the comparison of 2000 and 2002 data, therefore, related press information on public media will be used to compensate for publication data in 2001.

² Published by the Planning and Finance Department of the Press Publication Administration of PRC

³ Published by the Copyright Administration Department of the PRC Copyright Bureau (Jan 2003)

Section One: Analysis of Publishers

One: Basic information

Research of the book market in 2002 indicates that Taipei still possesses most publication companies, with about 60.93 percent of those interviewed being located in Taipei city. 62.27 percent of publication companies had registered capital of less than NT\$5 million, compared with 59.93 percent in 2000, though this shows that the overall size of publishers in Taiwan is still small. In respect of founding capital, 81.98 percent comes from individual investment, with only 12.02 percent from group companies such as the Crown Culture Corporation, Sitakgroup and so forth, which separate from the parent company and then form a group. Of a different type is Cite Publishing Co. Ltd, which was established on Oct 21, 2002 after the Hong Kong-based Tom. Com., which is composed of small publication companies that share marketing and distribution channels.

Two: Status of sideline channels

29.22 percent of the 503 publication companies interviewed indicated that they do not operate marketing channels. This sharp decline in comparison with 71.0 percent in 1999 and 49.72 percent in 2000, might be attributed to dissatisfaction felt by publishers toward distributors of their books. In addition to the establishment of logistic centers by some major chain bookstores, an increasing number of publishers have created their own marketing channels, or started to negotiate directly with the large chain bookstores. Financial, commodity, commercial, information, and educational channels are the primary niches of distributors. When their advantages in these

channels disappear, distributors will be eliminated from the market.

Three: Marketing Channels

(I) Overall industry

The current research discovered that among publishers operating book retailing channels, 51.13 percent use mail-order channels, 43.22 percent use sub-wholesalers or distributors, and 37.57 percent own their own bookstores or outlets. Mail channels are popular because compilation of catalogues and book brochures is much easier, particularly nowadays with the Internet, where many publishers display lists of their books. Their lack of on-line payment facilities means that these websites do not yet function as mail sales. The 43.22 percent which self-operate sub-wholesalers or distributors came as a surprise (compared to 11.1% in 1999 and 13.26% in 2000), especially as many of these companies publish specialist and educational books. This sharp rise might, therefore, suggest there has been rapid growth in the number of publishers dealing in specialist and educational books.

Another surge has seen the proportion of publishers operating bookstores rise to 37.57 percent (from 16.0% in 1997, 16.4% in 1999, and 17.68% in 2000). The opening Cite Publishing Ltd.'s second bookstore (in Taichung following the success of the Taipei store), Lin Yu Publication's new outlet, the opening of the Elite Bookstore by Elite Publications, and of a bookstore by the Huawen.com are all indications of publishers gradually penetrating the bookstore field.

Compared to these self-operating sales channels, consignment channels are mainly concentrated in

distribution (76.96%). Mailing channels ranks only fifth (8.06%; down from first with 55.35%), far behind the online bookstore channel (8.99%), while schools also dropped from third (37.00%) to sixth (6.22%).

The large difference in mail-order business between self-operated and consignment is due to the fact that mail order business is concentrated in distribution. Only when publishers cannot access data about their readers' list or customer base will they resort to using consignment channels (as has been noted, establishing mailing operations is easier for publishers). On the other hand, success in mail sales is not due to layout of the mailing catalogue, but in the effectiveness and value of their mailing list. As for the school channel, self-operation runs at 37.00 percent compared to 6.22 percent for consignment, which reflects publishers of educational books use their own sales channels because of the fixed identification of their target customers.

(II) Textbooks and examination books

Textbooks are mainly sold through self-operated channels (73.04% of total sales), while sales through schools channels (72.58%) accounts for 64.60 percent of total sales after weighting. The sale of examination books through self-operated channels accounts for only 17.08 percent of the total, while bookstore sales are highest (60.98 after weighting), with sales covering 4.66 percent of the total sales, just behind direct sales (4.90%).

As for consignment, although distributors are the major force, the 55.10 percent channel covering distributors only accounted for 4.55 percent of the total sales of textbooks (after weighting), while

distributors in the consignment of examination books is high, accounting for 64.17 percent and weighted sales of 54.21 percent.

(III) Analysis of channel discounts

Channel discounts average at 70 percent across the industry, and it is even favorable for consignment channels, especially that of distributors due to the price differential between stock and delivery. The excessive discount assumed by libraries in purchasing books has long been a topic of concern to the publishing industry, which regularly appeals to the government to decrease the discount rate for libraries. Nevertheless, compared to discount rates for textbooks and examination books across the channels, those of self-operated channels are still lower than those of consignment channels, while the discount rates of textbooks and examination books in consignment channels of dealers, online bookstores and mail-order are lower than those of the overall industry, especially that of dealers. In another words, the discounts on textbooks and examination books are lower than for most books. As for the sales area, the greater Taipei area still attracts most sales revenue (46.68%).

Four: Analysis of human resources

69.58 percent of publishers have less than 10 full-time staff (up from 55.08% in 2000). The slump in the market over the last two years has led more publishers to use more part-time staff in an attempt to lower fixed costs, while more experienced design and editing professionals have left the relatively low salaries for faster developing fields. In the 503 companies interviewed for this survey, 19.96 percent of staff are editors, followed by

17.08 percent who are administration executives, with other categories of staff accounting for less than ten percent each. This shows that the editing department is still the publisher's core. In terms of salary, the average is between NT\$25,000 and 35,000 per month (with 53.08 % falling in this range). Taking editors as an example, the initial salary is between NT\$25,000 and 30,000 per month, increasing by NT\$1,000 per month annually. Thus someone with more than ten years experience would earn around NT\$40,000 per month, which tallies with the fact that 60.24 percent of publishers have staff with average work experience of less than 4 years. Someone earning more than NT\$55,000 per month would have more than ten years experience or have been promoted quickly to position of chief editor or general editor. It is hard for the average salary to climb as high as NT\$55,000 per month in the editing department, which explains why only ten percent of employees have a monthly income over NT\$55,000.

59 percent of staff are female; 41 percent male. In the editing department, however, 90 percent are female, with men working mostly in the business and marketing sectors. 44.23 percent of staff have a university diploma, 10.24 percent finished graduate school, while only 1.06 percent went no further than middle school. Due to the industrial nature of publishing, staffs used to be required to have junior college diploma or higher. With improvement of the national education level, more and more staff hold master degrees. As for educational background, 28.59 percent are from literature school, 17.35 percent from business school, 8.22 percent from management school, while those from agricultural or medical school

represent only 1.03 percent and 0.80 percent respectively. This phenomena might be attributed to the effects of pragmatic learning, as well as the low salaries to be made in the publishing industry. This is particularly true for those graduating from medical school and business school, for whom it is difficult to remain in an industry such as publishing.

Five: Analysis of publication status

(I) Publication categories

The 503 houses interviewed reported 22,228 titles, of which 10,505 were republished. Top in 2002 were comic books (2977), followed by children's books (2,467), and novels (2,199). As for the republished books, top was examination books (1458), followed by children's books (1,243) and PC books (902). Philosophy books had the highest republishing rate (140.74%). 《see Chart I-1》

According to research data for 2000, the total number of publications was estimated at 24,385 titles. The largest category was literature books (2148 titles), followed by business & finance (1472), and comic books (1061). The situation among republished books was not surveyed.

In terms of languages, Chinese books were the most common among the 503 companies interviewed, followed by English and Japanese, which is similar to the situation in 2000, while German publications increased (from 1.10% to 2.19%), though all foreign language publications are still below 10 percent. Although books in electronic and digital versions have become a global trend, publication in Taiwan is still mainly paper editions, with e-books accounting for only 12.13 percent.

Chart I-1 Categories and sale value of the publications and republications in 2002

Category	Publication			Republication			Republication rate	Total sales value	
	Number	Sales volume	Average sales volume	Number	Sales volume	Average sales volume	%	x NT\$1,000	%
01.General	251	82,550	329	9	11,000	1,222	3.59	135,292.5	0.76
02.Philosophy	270	272,621	1,010	380	225,023	592	140.74	397,292.1	2.22
03.Popular Psychology	739	952,676	1,289	344	347,848	1,011	46.55	331,886.0	1.86
04.Religion	969	862,146	890	554	378,242	683	57.17	362,113.6	2.02
05.Natural Science	274	717,287	2,618	66	73,443	1,113	24.09	177,355.2	0.99
06.Applied Science	546	263,031	482	73	57,105	782	13.37	82,198.1	0.46
07.Medical/Healthcare	737	844,127	1,145	449	322,828	719	60.92	259,519.9	1.45
08.Housekeeping	234	306,664	1,311	30	26,500	883	12.82	134,351.8	0.75
09.PC Science	1,098	2,284,700	2,081	902	1,395,500	1,547	82.15	711,435.0	3.98
10.Business & Finance	600	1,117,898	1,863	298	681,975	2,289	49.67	521,138.9	2.91
11.Law	227	105,426	464	113	140,748	1,246	49.78	58,055.3	0.32
12.Politics	192	168,786	879	4	5,000	1,250	2.08	19,386.7	0.11
13.Social science	536	255,828	477	109	76,863	705	20.34	103,178.1	0.58
14.History & Geography	165	142,640	864	229	1,494	7	138.79	63,540.0	0.36
15.Essays	182	161,308	886	74	10,400	141	40.66	70,818.9	0.4
16.Novels	2,199	3,478,831	1,582	412	195,591	475	18.74	1,211,118.0	6.77
17.Biography	317	123,838	391	331	76,379	231	104.42	34,599.2	0.19
18.Literature	779	805,473	1,034	105	224,179	2,135	13.48	304,243.3	1.7
19.Languadge	1,436	1,569,106	1,093	606	315,295	520	42.20	613,061.4	3.43
20.Art	476	1,228,303	2,580	444	380,554	857	93.28	267,852.6	1.5
21.Leisure & Travel	531	11,404,658	21,478	594	164,650	277	111.86	1,611,490.0	9.01
22.Textbooks	1,278	22,286,293	17,438	752	2,822,342	3,753	58.84	3,956,105.0	22.12
23.ExaminationBooks	1,891	21,669,350	11,459	1,458	2,111,600	1,448	77.10	2,304,527.0	12.89
24.Comic Books	2,977	11,880,291	3,991	219	144,938	662	7.36	923,887.9	5.17
25.Children's Book	2,467	10,359,236	4,199	1,243	4,814,920	3,874	50.39	2,704,278.0	15.12
26.Dictionary	130	297,111	2,285	51	44,000	863	39.23	130,997.5	0.73
27.e-books (including visual books)	23	53,058	2,307	0	0	0	0.00	2,802.7	0.02
28.Other	704	986,610	1,401	656	625,816	954	93.18	391,068.8	2.19
Total	22,228	94,662,846	4,259	10,505	15,677,233	1,492	47.26	17,883,593.5	100

Based on the current research, the number of titles published in 2002 can be estimated. Through a weighting method (i.e. the ratio of the number of newly registered publication titles with ISBN against the actual number found in the current research), a total number of new titles published throughout the industry can be calculated. Research shows that the real number of published titles is much larger than those that are registered, perhaps for the following reasons.

1. Some books registered for ISBN in 2001 were postponed for publication in 2002.
2. Imported comic books generally do not apply for ISBN (in this case, the actual number might be tenfold the number registered).
3. Some children's books are not registered for ISBN due to their thin content.

Calculation of the total number of new titles is based on the following formulae.

1. The total number of new publications found by this research \div the total number of ISBN registered publications among those publishers interviewed = weighting value for new publications

2. Total number of ISBN registered publications of all qualifying publishers \times weighting value (for new publications) = total number of new publications

Formula:

$$(S \text{ title} \div SO \text{ title}) \times O \text{ title} = 46,397$$

S title: The total number of new publications found by this research = 22,228

SO title: The total number of ISBN registered publications among those publishers interviewed = 17,610

O title: Total number of ISBN registered publications of all qualifying publishers = 36,758

From the classification of new ISBN registered publications in 2002 (38,581) and the estimated number of new publications (46,397), it was found that children's books was the largest category (with between 2,739 and 3,294 new titles), followed by popular psychology books (2,662~3,201). e-books was the smallest category (231~278), followed by political books (347~418). Comparison of the estimated results with the published categories in *National New Publication Information Monthly* found that the definitions of publication categories are different from those of publishers, and also that the definitions used by different publishers vary. In order to have a direct comparison with the results of 2000, the 28 publication categories used in this survey are different, therefore, from the 17 used in the *National New Publication Information Monthly*. This might lead to differences in the total number of new publications (as shown in Chart I-2).

Chart I-2 Estimation of the New Publications by Category in 2002

Category	Valid interviewees (n=503)	Estimated number (1,058)	Published percentage of all categories	Number of ISBN registered titles in 2002 (38,581)	Estimated No. of titles (46,397)
01.General	19	42	1.8%	694	835
02.Philosophy	33	73	3.2%	1,235	1,485
03.Popular Psychology	72	160	6.9%	2,662	3,201
04.Religion	72	160	6.9%	2,662	3,201
05.Natural Science	22	49	2.1%	810	974
06.Applied Science	20	44	1.9%	733	882
07.Medical/Healthcare	57	127	5.5%	2,122	2,552
08.Housekeeping	14	31	1.3%	502	603
09.PC Science	24	53	2.3%	887	1,067
10.Business & Finance	50	111	4.8%	1,852	2,227
11.Law	13	29	1.2%	463	557
12.Politics	9	20	0.9%	347	418
13.Social science	41	91	3.9%	1,505	1,809
14.History & Geography	20	44	1.9%	733	882
15.Essays	25	56	2.4%	926	1,114
16.Novels	63	140	6.0%	2,315	2,784
17.Biography	28	62	2.7%	1,042	1,253
18.Literature	52	116	5.0%	1,929	2,320
19.Languadge	57	127	5.5%	2,122	2,552
20.Art	56	124	5.4%	2,083	2,505
21.Leisure & Travel	42	93	4.0%	1,543	1,856
22.Textbooks	49	109	4.7%	1,813	2,181
23.ExaminationBooks	51	113	4.9%	1,890	2,273
24.Comic Books	15	33	1.4%	540	650
25.Children's Book	74	164	7.1%	2,739	3,294
26.Dictionary	20	44	1.9%	733	882
27.e-books	6	13	0.6%	231	278
28. Other	41	91	3.9%	1,505	1,809
Total	1,045	2,323	100.0%	38,581	46,397

note : 1. Despite differences in the definitions of categories, the best efforts have been made to use consistent data.

2. Some categories may cause confusion. For example, nursery books might also be classified as textbooks or children's books.

(II) Estimation of the production value of publishing industry

Following are the various estimation methods for deriving a production value for the publishing industry in 2002:

1. In accordance with the method used in 2000

(1) total sales value \div number of publishers interviewed = average value

$$19,154,030 \text{ (xNT\$1,000)} \div 471 \text{ (publishers)} = 40,666.7 \text{ (xNT\$1,000/publisher)}$$

(2) average sales value per publisher \times number of qualifying publishers (i.e. those with 4 or more registered ISBN) = total sales value

$$40,666.7 \text{ (xNT\$1,000/publisher)} \times 1,058 \text{ (publishers)} = 43.023 \text{ (NT\$ billion)}$$

The above figure represents the total sales value in 2002.

2. Addition of the added value of mid-channels

The above estimate does not take into consideration the value of mid-channels. To include this added value, the following calculation procedure is used:

(1) Total sales value of all publishers \times market share in various channels = the sales value of the various channels

(2) The sales value in the various channels \div the average discount in these various channels = actual sales in the various channels

(3) The actual sales in various channels \times the discount offered to downstream consumers = the top line of sales value in the channels

(4) The actual sales in various channels \times the top line discount offered to consumers = the

bottom line of the sales value in the channels

Note: As the actual discount rate cannot be known, the average discount (85.45%) of chain bookstores (86.3%) and single-outlet stores (84.6%) is used as a substitute.

(5) Sum of the top line of channel sales = top line of production value

(6) Sum of the bottom line of channel sales = bottom line of production value

The formula is as follows:

Top line of production value

$$: \sum_{i=1}^{16} \{ P \times K_i \times L_i \times SDis \} = 58.831 \text{ (NT\$ billion)}$$

Bottom line of production value

$$: \sum_{i=1}^{16} \{ P \times K_i \times U_i \times SDis \} = 53.308 \text{ (NT\$ billion)}$$

P : total sales value all publishers

$K_1 \sim K_{16}$: market share in various channels

$L_1 \sim L_{16}$: average bottom line discount the publishers offer to channels

$U_1 \sim U_{16}$: average top line discount the publishers offer to channels

SDis : average discount rate 85.45%

3. Calculations based on the top line and bottom line of the channel discount

With the average discount top line and bottom line, the median is just the channel discount, from which the production value can be calculated using the following procedure:

(1) (Bottom line + top line) \div 2 = average discount

(2) Average discount \times market share in the channel = discount weighting in the channel

(3) Sum of discount weighting in the channel = total channel discount

(4) Total sales value of publishers \div total channel discount = actual sales of all channels

(5) Actual sales of all channels \times discount the channel offered to consumers = production value

formula as following:

$P \div Pdis \times Sdis = 54.890$ (NT\$ billion)

P: total sales value of the publishers

Pdis: total channel discount

$PDis = \sum_{i=1}^{16} \{ K_i \times ((L_i + U_i) \div 2) \} = 6.70$

$K_1 \sim K_{16}$: market share of various channel

$L_1 \sim L_{16}$: discount bottom line the publisher offered to the channels

$U_1 \sim U_{16}$: discount top line the publisher offered to the channels

Sdis: average discount 85.45%

4. Estimate based on sales volume

The three methods above were all developed using sales value; the next one estimates the production value through sales volume as follows:

(1) Sales volume \div Number of publishers interviewed = average sales volume per publisher

(2) Average sales volume per publisher \times number of qualifying publishers = total sales volume

(3) (Price of paperback book \times sales volume for paperback books) + (price of hardbound book \times sales volume of hardbound book) = average price

(4) Total sales volume \times average price = total sales value of the channel

(5) Total sales value of the channel \times discount

= production value

formula as follows:

$E \times (A \div C) \times (G \times I + H \times J) \times SDis = 64.894$ (NT\$ billion)

A: Qualifying publishers = 1058

C: Publishers responding to survey = 476

E: Total volume (first editions + republications) = 110,340,079

G: Sales price of paperback book = NT\$277.48

H: Sales price of hardbound book = NT\$599.26

I: Sales portion of paperback book (provisional) = 90%

J: Sales portion of hardbound book (provisional) = 10%

SDis: Average discount = 85.45%

5. Production value estimate based on new publications

The number of publishers as well as the number of new publications can be obtained from the ISBN Center. The production value can therefore be estimated based on the number of new publications:

(1) Sum of new publications (from this survey) \div sum of ISBN registered publications of publishers responding to survey = expansion rate of new publications

(2) Sum of ISBN registered titles of all qualifying publishers \div expansion rate of new publications = total number of new publications

(3) sum of the sales (of responding publishers) \div number of new publications = sales value of each publication

(4) Sales value of each publication \times total number of new publications = total sales of the publishers

(5) Total sales of all publishers \div channel discount = actual total channel sales value

(6) Actual total channel sale value \times discount offered to consumers = Production value

Formula as follows:

$PNI \times (S \text{ title} \div SO \text{ title}) \times O \text{ title} \div S \text{ title} \times PDis \times SDis = 47.152$ (NT\$ billion)

PNI: Sales value of the responding publishers = NT\$17,883,590,000

S title: Total publication category (through survey) = 22,228

SO title: New publications of the interviewed publishers that were registered at the ISBN center in 2002 = 17,610

O title: The number of qualifying publishers' new publications that had been registered for ISBN in 2002 = 36,758

Pdis: Market share weighted by average channel discount

Sdis: Average discount = 85.45%

6. Production value estimated through the revenue sales of the publishing industry

The 2002 monthly financial statistics report of Ministry of Finance showed that the revenue of the publishing industry is NT\$20.918 billion. This is comprised of the effects of the channel's added value and discount, from which the production value can be estimated using the following formula:

$Gov \div Pdis \times Sdis = 26.688$ billion

Gov: The 2002 monthly financial statistics report from the Ministry of Finance showed that the publishing industry's revenue is NT\$20.918 billion

Pdis: Market share weighted by average channel discount

Sdis: Average discount = 85.45%

Six methods were used to estimate the production value. "Addition of the added value of mid-channels" and "Estimate based on sales volume" can help in the estimation of the value by the proportion of all the sales channels, discounts and the sales amounts, together with the turnover of the publishers. Estimates for the total production value for publishers and distributors in 2002 ranged from NT\$53,308 million to NT\$64,894 million.

This range of estimated values was compared with Taiwan's GDP for 2002 of NT\$9,748.811 million (derived from Taiwan GDP Statistics Abstract published by the Directorate-General of Budget, Accounting and Statistics in 2003). This shows that the publishing sector represented between 0.55% and 0.67% of Taiwan's total GDP, and 0.81%~0.99% of the service sector GDP (of NT\$6,541.002 million).

(III) Sales Status

1.Total Market

According to the 503 replies to this survey, the total sales volume was 94,662,846, (i.e. 4,259 per category). The republication sales volume was 15,677,233, (i.e. 1,492 per category), representing a republication rate of 47.26%. Although the top 3 in terms of number of publications were comic books, children's books and novels; top for actual sales was textbooks (22,286,293), followed by examination books and comic books. From this it can be calculated that pragmatism was still the main motivation for Taiwanese when purchasing

books. Leisure & travel books, and children's books also sold in volumes of over 10 million. For republications, top was children's books (4,814,920), followed by textbooks (2,822,342) and examination books (2,111,600). In terms of sales value, textbooks took first place (NT\$3,956,105,000), followed by children's books (NT\$ 2,704,278,000) and examination books (NT\$2,304,527,000).

According to the survey, leisure & travel books had the top number of titles, the average volumes sold by each title are 21,478, followed by textbooks (17,438), examination books (11,459), children's books (4,199), and literature books (1,034). For republications, top were children's books (the average volumes sold by each title are 3,847, while the highest republication rate was found for philosophy books (140.74%). According to the special publication of Kingstone Books' list of seven best-selling categories (Jan. 2003), the stars of the 2002 publishing market were English learning, healthcare, artist, animal, environment and illustrated books. Also worthy of note were Korean stories books (due to the popular Korean TV Series) and magic books (led by *Harry Potter*).

2. Textbooks and Examination books

1,155 textbooks were published by a total of 70 publishers, with a total publication volume of 24,233,919 (and 868 titles republished for a total number of 3,994,542 volumes). The total sales value was NT\$4,074,083,300. College books and other textbooks ranked 1st in number of titles (442), while top in terms of sales volume was the 1996 edition of *Knowledge and Artist Textbooks* for grade 6 elementary school (7,306,316). Top republication categories were senior vocational school textbooks (457 titles), and senior high school textbooks

(1,564,000 volumes). The highest average sales volume for republication categories were senior high school textbooks (13,483), while the highest republication rate was for senior vocational school textbooks (377.69%). The sales volume of "other textbooks" represented 23.49% of all textbooks at NT\$957,112.5 thousands. (See chart I-3)

There were 1,802 examination book titles published by 60 publishers, totaling 21,256,430 volumes (with 1,592 titles republished, for a total of 2,174,500 volumes, an average republication rate of 88.35%). Sales totaled NT\$4,074,083.3 thousand. Senior high school examination books ranked 1st in terms of titles (323), followed by university examination books (304) and government examination books (277). In terms of sales volume, grade 3 middle school examination books were top (4,963,000 volumes), followed by the 1996 edition of *Knowledge and Artist Examination Books* for grade 6 elementary school (3,113,000) and grades 1~5 elementary school (2,933,000). Top among republished books were government examination books (510 titles) and senior vocational school examination books (252). The highest average republication rate was 787.50%. Top in terms of sales volume was high school examination books (801,500 volumes), and in actual sales was university examination books (NT\$264,262.5 thousands), followed by high school examination books (NT\$264,198 thousand), which represented 11.77% of all examination books. (Details in Chart I-4)

Chart I-3 2002 - Number of Textbook Publications by Category (n=70)

Book Categories	Publication			Republication			Republication Rate %	Sales Amount	
	Titles No.	Sales	Sales per Title (volume)	Titles No.	Sales	Sales per Title (volume)		NT\$ Thousand	%
01. 2001 Primary school grade 1~5	68	6,340,395	93,241	0	0	0	0.00	354,675.0	8.71
02. Knowledge and Artist (1996 Primary school grade 6)	74	7,306,316	98,734	2	4,000	2,000	2.70	434,019.0	10.65
03. Primary school English (grade 5~6)	24	515,500	21,479	0	0	0	0.00	76,700.0	1.88
04. Primary school national (grade 1~5)	14	186,050	13,289	0	0	0	0.00	19,184.0	0.47
05. 2001 (Grade 7~8)	30	2,136,000	71,200	1	1,000	1,000	3.33	167,630.0	4.11
06. Artist (middle school)	22	1,363,000	61,955	11	89,000	8,091	50.00	119,924.0	2.94
07. Knowledge (middle school)	7	9,000	1,286	4	4,000	1,000	57.14	32.0	0.08
08. Knowledge (high school)	95	2,692,300	28,340	116	1,564,000	13,483	122.11	744,314.0	18.27
09. Art (high school)	8	24,000	3,000	18	200,000	11,111	225.00	56,700.0	1.39
10. Knowledge (senior vocational school)	121	306,000	2,529	457	1,473,000	3,223	377.69	497,484.0	12.21
11. Knowledge (five-year college)	170	725,300	4,266	93	214,000	2,301	54.71	341,967.0	8.39
12. Knowledge (two-year college)	80	663,752	8,297	60	200,706	3,345	75.00	301,173.8	7.39
13. Other textbooks	442	1,966,306	4,449	106	244,836	2,310	23.98	957,112.5	23.49
Total	1,155	24,233,919	20,982	868	3,994,542	4,602	75.15	4,074,083.3	99.98

Chart I-4 2002 - Number of Examination Publications by Category (n=60)

Book Categories	Publication			Republication			Republication Rate %	Sales Amount	
	Titles No.	Sales	Sales per Title (volume)	Titles No.	Sales	Sales per Title (volume)		NT\$ Thousand	%
01. 2001 Primary school grade 1~5	55	2,933,000	53,327	0	0	0.00	0.00	139,621.0	6.22
02. Knowledge and Artist (1996 Primary school grade 6)	50	3,113,000	62,260	0	0	0.00	0.00	211,800.0	9.43
03. English (primary school grade 5~6)	10	189,400	18,940	0	0	0.00	0.00	7,934	0.35
04. Primary school national (grade 1~5)	0	0	0	0	0	0.00	0.00	0	0.00
05. 2001 (Grade 7~8)	47	2,464,000	52,426	2	2,000	1,000.00	4.26	129,974.0	5.79
06. Artist (middle school grade 3)	0	0	0	0	0	0.00	0.00	0	0.00
07. Knowledge (middle school grade 3)	66	4,963,000	75,197	4	12,000	3,000.00	6.06	200,846.0	8.95
08. Entrance examination (high school)	178	1,075,000	6,039	21	35,300	1,680.95	11.80	132,561.0	5.91
09. Knowledge (high school)	88	1,560,000	17,727	192	801,500	4,174.48	218.18	264,198.0	11.77
10. Artist (high school)	0	0	0	0	0	0.00	0.00	0	0.00
11. Entrance examination (university)	323	730,720	2,262	215	502,600	2,337.67	66.56	201,345.0	8.97
12. Senior vocational school	32	128,950	4,030	252	476,700	1,891.67	787.50	79,094.5	3.52
13. Knowledge (five-year college)	36	312,500	8,681	2	15,000	7,500.00	5.56	164,075.0	7.31
14. Knowledge (two-years college)	25	311,700	12,468	25	20,700	828.00	100.00	160,855.0	7.17
15. Two-year technical school	71	77,150	1,087	74	45,900	620.27	104.23	12,632.5	0.56
16. Four-year college	37	30,390	821	46	21,200	460.87	124.32	11,712.5	0.52
17. University	304	718,170	2,362	31	46,700	1,506.45	10.20	264,262.5	11.77
18. Government	277	110,050	397	510	129,500	253.92	184.12	115,065.0	6.22
19. Graduating examination (high school)	94	124,900	1,329	176	27,400	155.68	187.23	77,225.0	9.43
20. Others	109	2,414,500	22,151	42	38,000	904.76	38.53	71,669.2	0.35
Total	1,802	21,256,430	11,796	1,592	2,174,500	1,365.89	88.35	2,244,870.2	104.24

Note: Of the 60 valid responses, 9 did not respond to this question.

Chart I-5 2002 - Number of Children's Book Publications by Category (n=86)

Book Categories	Publication			Republication			Republication Rate %	Sales Amount	
	Titles No.	Sales	Sales per Title (volume)	Titles No.	Sales	Sales per Title (volume)		NT\$ Thousand	%
Children Drawings	825	2,423,519	2,938	317	1,279,400	4,036	38.42%	641,940	32.51%
Children Articles and Stories	675	2,786,560	4,128	137	1,396,000	10,190	20.30%	356,750	18.06%
Children Illustrated Book and science	379	2,400,150	6,333	110	1,379,200	12,538	29.02%	411,650	20.84%
Multiple	573	1,568,658	2,738	147	441,600	3,004	25.65%	564,520	28.59%
Total	2,452	9,178,887	3,743	711	4,496,200	6,324	29.00%	1,974,860	100%

Note: Of the 86 valid responses, 22 did not respond to this question.

3.Children's books

According to information provided by 86 children's books publishers, the most published category is children's drawing books (825 titles)). Also coming top in actual sales (NT\$641,940,000) and second in total sales volume, this category represented 32.51% of all children's book sales (as well as having the highest republication rate of 38.42%). Highest sales volume went to children's articles and stories (2,768,560), which also had the highest number of republished books (1,396,000), but lowest actual sales (NT\$356,750,000), representing 18.06% of all children's books. (This low sales figure was due to the higher unit price of children's drawings, which also shows that high quality children's books are becoming increasingly acceptable.)(For details, refer to Chart I-5)

4.Others

The whole publication sector has been in depression, with book return rates rumored to be around 50%, although the average return rate reported by the 503 respondents to this survey was 30.80%. Sales in mainland China were also on

consignment basis, with terms of payment o between six months and one year. For private publishers with few discounts and cash payments, the return rate has also gradually risen to between 10% and 20%.

The average price of paperback books was NT\$277.48, and of hardback books was NT\$599.26.

Six: Book Trade Status

(I) Book Imports

14.12% of this survey's interviewees imported books, with the average import of Chinese-language books being 16,654.0 volumes, and average imported value of NT\$4,379,100 (i.e. an average unit price of NT\$262.9). For imported foreign-language books, the figures were 65,709.1 volumes, NT\$26,447,700 and NT\$ 402.5. The USA is Taiwan's largest sourcing area, followed by Hong Kong and Macao, and the UK. Imports of foreign-language books thus outnumbered Chinese-language books by 3:1 in volume and 5:1 in sales value.

(II) Book Exports

30.02% of the 503 companies surveyed exported books in 2002, averaging 43,700.8 volumes, NT\$8,767,000, and unit price of NT\$200.6 for Chinese-language books. For exported foreign-language books, these averages were 9,414.3 volumes, NT\$8,305,000, and NT\$822.5 respectively. The top export area is Hong Kong and Macao, followed by Singapore, and the United States. Exported foreign-language books outnumbered Chinese-language books by 74:1 in volume and 17:1 in value.

Seven: Copyright Trade

35.19% of publishers purchased copyrights in 2002, averaging 21.43 per publisher, for NT\$2,079,000 each. 16.90% of publishers sold copyrights, averaging 7.51 per publisher, for NT\$1,934,580 each.

Taiwan bought most copyrights from the United States, followed by Japan, China, and the UK. Although France and Germany were subdivided from other countries, if Europe was considered as a whole, it would rank third (34.92%). These figures accord with those published in *Research of the International Copyright Trade in Taiwan's Publication Sector*, which shows the United States as the biggest supplier of copyrights, followed by Japan, UK and Europe, followed by mainland China. Figures from the current survey suggest, therefore, that copyrights purchased from China have increased. In 2002, many Chinese writers such as Xiao Guanhong, Wang Anyi, A Cheng, and Mo Yan visited Taiwan frequently. Copyright purchase from the UK have decreased, meanwhile.

In 2002, Taiwan sold most copyrights to China, followed by Korea, and Hong Kong and Macao. According to *Research of the International Copyright Trade in Taiwan's Publication Sector* (for 2001), China was the biggest customer of copyrights, followed by Hong Kong and Macao, then Singapore and Malaysia. The significant change found by the current research (for 2002) is that Korea has become the second largest customer.

Eight: Suggestions To The Publishers

In terms of those features most influencing Taiwan's publishing sector, 20.08% of interviewees listed creativity, diversity, high quality, and brand building. 17.10% thought that knowing market demands and being customer oriented were most important, 10.34% that capturing sales channels and obtaining sales information were key factors. 6.96% were more concerned about sales planning, packaging, and commercial advertising. 5.17% selected capitalization.

Other factors mentioned included operating skills, the public's level of education, reading habits, writers, the ability to conform with fashions and emerging trends, government support, price strategies, ability to choose books, free market environment, variety and quantity, and multiple operating. Proportions of all the above factors were less than 5%, however, while another 28.03% had no opinions regarding factors for the success of Taiwan's publishing sector, suggesting perhaps, that they have uncertain expectations for future markets.

Nine: The Publication Sector in Other Asian Countries

Having considered differences between Taiwan's publication sector in 2002 and 2000, the survey also focused on those countries having a direct influence on Taiwan's publication sector. This will provide a more vivid profile of the industry.

(I) Mainland China

There are 568 publishers in China (including 36 subsidiaries). As in Taiwan, publishers are concentrated in big cities such as Beijing, since it is there that more interesting voices are heard and more important things can be published.

All China's publishers were state-owned, and carried out their own publicity and sales. They are very large, therefore. In addition to the Xinhua News Agency, which even has its own stores, other big publishers such as the Jiangong News Agency, Huagong News Agency, Renda News Agency and so forth, also have their own stores or readers' service points. The National Administration of Press and Publication of the P.R.C. announced in its *2002 Almanac* that, in 2001, the total number of employees in the 562 companies in the publishing sector (including publishers, publicists, press materials companies, and music video companies) was 47,128 (i.e. around 83.85 people per company). The situation in Taiwan is quite different, with the number of employees per company being around one-tenth that of China. The salaries of employees in China's publication sector ranked second, with a newly graduated university student working as an editor in Shanghai earning around RMB1,200 per month.

Publishers' groups have experienced three historic stages in China. In 1986 they organized voluntarily. In 1992, they required local government

permission to organize, and now they require central government permission. As of April 2002, there were seven authorized publishing groups, four publicity groups, one periodical group, and 38 newspaper groups. Differences in political systems across the Taiwan Strait make for differences in operating scale, capital resource, and the role of such groups. Taiwan's publishers are small in size and privately owned, those of China are larger and state owned. Opening China's publishing industry to the private sector would bring about huge changes.

170,962 titles were published in China in 2002, of which 100,693 were new and 70,269 were republished (a republication rate of 42.12%). Total sales value was RMB53,512 million. In China, the publication sector is divided into three parts: books, textbooks, and illustrated materials. The total number of "books" published in 2002 was 142,952 titles (of which 51,602, i.e. 36.09% were republished), which was worth RMB33,505 million. The total number of "textbooks" published was 25,817 titles (17,654 i.e. 68.38 % republished), worth RMB19,574 million. The rest comprised of illustrated materials.

In Taiwan, publications are categorized into 22 types, with detailed statistics being given for each, with some such as textbooks and children's books subdivided in great detail. If the same research methods are used as in the 2002 Taiwan survey, the following conclusions can be drawn for mainland China. Top in terms of publication number were literary, scientific, educational and physics books with 69,488 titles. The first edition quantities for these books also ranked number one, and they had a joint republication rate of 46.22%. As for

textbooks, those for college level and above had the most titles (11,995), first editions (4,760). For children's reading materials in 2002, 7,393 titles were published in mainland China, which included 4,193 new titles. From the different categories it could be concluded that the most popular books in China were business management and mental encouragement, especially those versions of overseas books.

In 2002, there were 4,713 titles and 96,813,500 e-books published in China, an increase of 96.7% on the year before. Although e-books do not match traditional books in volume, they should be watched as a fast-growing trend. It is expected that readers will become more appreciative of e-books, particularly those imparting knowledge. The use of electronic databases or books will become increasingly popular.

The total sales volume for China in 2002 was 7,027 million, worth RMB43,493 million. Among all books, textbooks were most popular with 8,598 million in sales volume, worth RMB 39,428 million (i.e. 39.7% of all books), which represents an increase of 3.24%. Children's books represented 3.3% of all books (selling 520 million volumes for RMB 3,317 million) a decrease of 3.65%. Price of books in China have increased recently, and attention should be paid when choosing books in China.

The total number of books imported into China was 5,512,234 titles, representing 2,581,700 in volume and US\$26,220,200 in value. Nature, science and technology books sold 191,894 titles, and ranked first among imported books (US\$10,177,300). Top in sales volume was educational books (584,900 volumes).

In 2002 China published most copyrights from the United States (4544), UK (1821), and Taiwan (1275); and sold most copyrights to Taiwan (755), Hong Kong (352), and Korea (103).

(II) Hong Kong

No best-seller has appeared to sweep the Hong Kong market, with the earlier *Poor Father and Rich Father* and *Who Stole My Cheese* still the most popular books, along with *Harry Potter* and *Lord of the Ring*, and books concerned with China's political situation. No up-and-coming new writers emerged in 2002. Star writers such as Jimi, Yishu, Zhang Ziaoxian, Li Tianming dominating. As consumer markets decreased, publishers increasingly targeted schools. Textbooks and reference materials thus became a major battle ground, just like in Taiwan in 2002.

(III) Japan

Japan's 4,391 publishers had a total staff of about 100,000 in 2002. Book sales totaled Y1.32 trillion, with the top fifty publishers (such as Kodansha) accounting for more than 50% of this figure. With more than 100 new books published each day coming out every day, Japan's publishing scene is quite amazing. Big publication houses relied on periodicals, with Japan's magazine to book ratio being 4:1. Some 4 billion books are published each year in Japan, of which 1.54 billion are comic books. New books account for more than 70,000 titles (2,300 of them being comic books). It is said that income from comic books is three times that of movies. Books are popular in Japan, with a growing tendency to combine paper books, the Internet and mobile phones. Sales of electronic books reached Y50 billion. The magazine to book

ratio in Taiwan was not like that in Japan, with comic books representing only 5.17% of the total.

From 1997 onwards, publishing sales in Japan have decreased 2~3% annually. Mr. Sasaki, director of the Japan Publication Association has explained the reasons as follows: a lack of best-sellers, depression of the national economy, decreasing birth rate, and increasing numbers of old people who cannot read books because of presbyopia. Furthermore, the Internet and mobile phones have distracted many people away from reading books. Many publication houses downsized their staff, some of whom then set up their own private publishing companies. Mr. SASAKI thought that, although these private publishing companies can reduce costs and increase the sources of information, this will not be sufficient. A loss of readers and increasing part-time working by staff are two problems shared by Japan and Taiwan. Adventure, horror fiction, and whodunit books have all decreased in quantity, as have romantic fiction. On the other hand, books that help improve people's work and studies, or that offer guidance are becoming increasingly popular. In Taiwan, therefore, textbooks, computer books and examination books are all on the increase. Sales volumes for leisure, comic books and children's reading materials were also above 10 million units.

Ten. Comparison with the global publication sectors

In order to understand Taiwan's place and character in the global publication field, this survey also includes information relating to the world publication sector. (see chart I-6)

CHART I-6 2002 Comparison of different countries' publishing sector

County	Population (million)	Publication Value (100 million)	New Books in 2002
Taiwan	23	NT\$648.94 (US\$18.77)	38,581 (2002)
UK	59.25 (Taiwan × 2.58)	US\$100 (Taiwan × 5.33)	123,390 (Taiwan × 3.20)
China Mainland	1,300 (Taiwan × 56.52)	RMB 907.77 (Taiwan × 6.26)	170,962 (Taiwan × 4.43)
USA	294 (Taiwan × 12.78)	US\$500 (Taiwan × 26.64)	68,175 (for 1996) (Taiwan × 1.77)
Japan	12,765 (Taiwan × 5.55)	US\$100 (Taiwan × 5.33)	67,522 (for 2000) (Taiwan × 1.75)

- Note: 1.The total value of NT\$64,894 million is based on the current research
- 2.The number of new books in Taiwan is based on *Taiwan New Books Information*
- 3.The currency exchange rate of NT\$34.58 US\$1 is based on the average from January to December 2002 (Bureau of Foreign Trade)
- 4.Other resources:
China Book Business Report, Aug. 8, 2003 to Sep. 26, 2003
UNSECO Statistical Yearbook, 2003.
International Publication Houses Association, 2002
 U.N.website
<http://unstats.un.org/unsd/demographic/social/population.htm>

(I) The large number of publishers and new publications led to fierce competition

1. The number of publishing companies

The total population of Taiwan in 2002 was 23 million. According to government statistics, Taiwan has 6,023 publishing companies and, even if only those applying for ISBN are included, this figure is still 2,385. Even using this conservative estimate, it means there is one publisher for every 9,644 of Taiwan's people. Mainland China has 1,300 million people and 568 publishers (one per 2,288,732 people) though this is more indicative of China's political situation. Japan has 127.65 million people and 29,070 publishing companies (one per 29,070 people). In other words, Taiwan has more publishers per head of population than Japan or China.

2. The number of new publications

The figures in table 7-6 suggest that too many books were published in 2002. The ratio of new books to population is 20.83 books per 10,000 persons in the UK, 16.77 in Taiwan, 5.29 in Japan, 2.32 in the United States and 1.32 in China. As more new books means more competition, these figures indicate the competition in each country's publishing sector. Competition in Taiwan was just behind the UK, and much worse than in Japan and the United States. Unless publishing companies in Taiwan can develop overseas markets, their future does not look too satisfactory.

(II) Taiwan's publication value was lower than the UK's, but higher than Japan's and China's

The UK's population is 2.58 times greater than that of Taiwan, and its publication value is 5.33 times larger. On the other hand, the population of mainland China is 56.62 times that of Taiwan, but its publication value is only 6.26 times larger. Little can be said about the United States and Japan since a different comparison period was used.

Section Two: SWOT Analysis

This section uses SWOT analysis to identify the strengths and weakness, opportunities and threats of Taiwan's publication sector. Basic information was obtained from the results of this current research (2002). Conclusions drawn from the SWOT analysis will indicate Taiwan's competitive position in relation to other regions, in particular the Chinese mainland, as this is closely related to the local market.

I. Interior strengths

(I) Higher level of professionalism than China

1. Creativity

Responses to question 7.5 show that publishers think the creativity of books is one of Taiwan's advantages. This creative ability is sufficient and writers are of high quality. Some publishers identified with a "lack of depth and width in books" in Taiwan's publication market, however. It was found that most Taiwan writers are interested in layout oriented living books. New net writers who were good at layout emerge regularly. To some extent, therefore, Taiwan has adequate creative

ability and diverse resources. Many publishing companies also mentioned that China was strong in history, archaeology, martial arts, and Chinese traditional printing publications. Long articles were better in China than in Taiwan, due to their detailed content and methods of writing. In fact, long articles do not match reading habits in Taiwan.

2. Editing

148 respondents considered Taiwan's editing work and publicity to be the best in the Chinese-language book market. In greater detail, however, many identified problems such as limited topics and layout, too many textual parts, narrow spacing between words, and too few pictures.

3. Sales

As the Taiwan publication market is a free market, it is increasingly difficult for any book to be outstanding in light of the fierce competition from both at home and abroad. Commercial advertising is becoming a more important factor, with book news conferences being very common now, as publishers seek to ally the media and other sectors to help develop markets. In mainland China, on the other hand, where the publishing industry has just opened to the public, an advantage in sales is absolute. Some publishers mentioned many factors that make publishing sales in Taiwan better than in other Chinese-language regions. These include advertising, packaging, layout, and control over sales channels. A minority thought that, compared to other Chinese-language markets, Taiwan does not have advantages in sales and advertising, citing factors that limited sales such as "small market scale," "too many publishing companies

and too many publications," and "too few readers." Furthermore, Taiwan's limited scope in international markets might be due to factors such as a "lack of global strategies" and "inadequate channels in a global range."

(II) Professional Management Philosophy better than in China

32 of the respondents considered the professional management of Taiwan's publishing companies ranks high. Since Taiwan's publishing market is a free market, the low barriers to entering the industry, has resulted in a huge number of publishers and fierce competition. Good management helps maintain a profitable situation with which to survive in the market. In mainland China where the publishing industry is state owned, there are no special management requirements. With recent reforms, the market in China is moving towards becoming a free market, so competition will become increasingly difficult.

(III) Publication Quality better than in China

All the interviewees claimed that in terms of ideas, printing, editing, and paper quality, Taiwan's books are better than those of China. Some thought that, compared to other regions such as Hong Kong and Singapore, Taiwan does not have an advantage in printing quality, however. Moreover it was thought that even publishers in mainland China had the ability to improve their printing to the same level as Taiwan. Since customers in China care more about price than quality, however, publishers there do not pay as much attention to printing, which would lead to a sharp increase in price that customers would not accept. The quality advantage of Taiwan's publishers does not derive from superior

printing technology, therefore, but from the higher purchasing power of Taiwan's readers.

(IV) More Attention and Importance attached to Copyright Protection

Some respondents claimed that Taiwan should, "Pay more attention to copyrights" to give it an advantage over other Chinese-language regions. With its long history of free markets, the concept of copyright is well developed in Taiwan compared to China. The new copyright law will bring it up to international legal standards and, while it is impossible to say there is no piracy in Taiwan, the situation here is much better than in China where piracy is rampant. This allows Taiwan's writers to write with reassurance, and foreign publishers to buy Taiwan's copyrights without hesitation.

(V) A Diversity of Books Emerges

Social issues affecting the publishing were also considered in this survey. Some interviewees suggested that games machines might have triggered the development of game books; the two-day weekend might have triggered growth in leisure books such as those introducing wines and coffee, or of tourist maps; extracurricular study might have triggered purchasing of examination books; interest in Taiwan's history might have triggered nationalist books; art training might have triggered sales of books on music, drawing and other arts; and increased study of psychology in schools might have triggered interest in related books. Kingstone books list key areas for 2002, listing English learning, health, art, animals, environment, China's experiences, and visual depictions of Taiwan all emerged as key sales areas, indicating that with the subdivision of

readers, more specialized books would find their own market. Moreover, with the increasing number of books, the whole market seems prosperous compared with that of China, where topics are limited and ideas poor.

(VI) Higher Education Enlarges the Number of Readers

1% of interviewees thought that Taiwan's higher education level was an advantage for Taiwan's publishing sector. The size of publishing markets is not related to total populations but to readers' populations. Although Taiwan's population is small, the high level of education means that more people are potential readers. With the government's encouragement, Taiwan's market should not shrink.

II. Interior Weakness

(I) The Global Economic Depression Affects The Market

When asked about the influence of the economic environment, many respondents indicated that the increase in unemployment and decrease in incomes had caused budgets for books to shrink, especially those for high-priced books. Many people chose to read downloaded or photocopied books. With this neglect of copyrights, textbook publishers and writers lost a great deal.

(II) Social Environment Affects the Reading Population

When asked about the influence of the social environment, many publishers suggested that the wide choice of media outlets in Taiwan greatly affected people's willingness to buy books. The two-day weekend has also created a large tourist

population. The education reforms mean that many students only read textbooks and examination books. The population of readers has reduced for these reasons. The declining birthrate also threatens future student numbers, as does the number going abroad for study and work. For all these reasons, the reading population has declined rapidly.

(III) Changing Reading Tastes

Some interviewees respond that due to the social transformation of reading habits, the young generation are getting easier to accept the light books such as gossip, leisure and entertainment books instead of reading academics or professionals. However, they also respond that the academic or professional books still have their market demands and harder to be replaced compared to the light books. That may explained well why the books-return rate in light books are much higher than the academic books.

(IV) Higher Costs than China

Asked about future threats, many interviewees said that the price of books in Taiwan was too high. If Chinese publishers improve their printing and paper quality, they could threaten Taiwan's books on cost. Moreover, China has better education and translation resources, while salaries are low. Taiwan's costs for printing and human resources are far higher. When China's market opens and technology improves to make conversion of China's simplified characters Taiwan's traditional script, Taiwan's publishers could face problems.

(V). Fierce Industrial Competition

The number of companies registering for ISBN in Taiwan is 2,385. Dividing the population of Taiwan (around 23 million) by the number of ISBN registered publishers, gives the figure of one publisher for each 9,644 people. Similarly, Taiwan has a large number of new books, with 3,000 new titles appearing each month. These high numbers of publishers and publications has led to market saturation. Given the venture concept of local business and lack of principles, many books have the same content. The loss of balance between supply and demand has also lead to fierce competition. This limited profitability is one of the major reasons for the pessimistic outlook for the coming five years by local companies. Present print runs are 1,000 for monochrome books and 3,000 for color books. Compared with print runs of 10,000 in the PRC, this shows the disadvantage of economic scale in Taiwan.

(VI) Less people focus on writing

Due to this poor environment, few writers can make a living purely from writing. Even famous writers such as Wu Ruo-chuan, Wu Dan-ru and Wang Wen-hua have to do work other than writing. With Taiwan's diversified leisure pursuits and media penetration, readers are accustomed to "browse" rather than "read." This has led to a formula of light, thin, and short writing becoming the rule in Taiwan's publishing industry. The large number of same-content books and problems of copying are a worry to local publishers looking to global markets.

(VII) Increased book rental stores and libraries affect publishers' business

The survey revealed that with the increase in book rental stores and libraries have led to a decline in willingness by local people to buy books, and a loss of profits for publishing companies.

(VIII) Lack of comprehensive publishing education

Although Nan Hua University and Cheng Chi University have launched Master's or credit hour classes, and publishing related institutes are providing irregular training classes, the survey suggests that students graduating from these schools do not correspond to the workers needed by wider society. Cultivated a skilled workforce to meet the needs of the times is a pressing problem.

(IX) Publishing planning is difficult with poor education policies

According to the research, some companies indicated that the education system is inadequate and education policy is unclear. Problems such as the creation or abolition of colleges, upgrading of mistakes in four-year and two-year college lead to worrying effects on the ability of publishers to plan textbooks.

(X) Family enterprises are too small to attract foreign investment

As Taiwan enters international market, it will need foreign investment due to the small scale of local operations. According to this research, however, 69.58% of publishers employee less than ten members of staff, placing them in "family enterprise" size. Such businesses have strengths based on blood relationship, centripetal force,

easy movement of capital, convenient control of property, and ease of communication. However, that the personnel in the family enterprises not hired based on performance or professions also damaged the enterprises' competitiveness and result in confusion of accounting, confusion of ownership and administration, inertia to new ideas and slowing down the efficiency of solving problems. Moreover, the family enterprises tend to make uncreative marketing strategy decisions due to their conservative perspectives and lack of coherence when discussing. Those are the main reasons why foreign investment are hard to come in to Taiwan. Looking at mainland China, where markets are on the point of opening and are much larger, the formerly state-owned publishers have few problems in comparison with Taiwan's family businesses, and can therefore attract large amounts of foreign investment. There is a threat of the center of Chinese-language publishing moving from Taiwan to the PRC.

III. Exterior Opportunity

(I) Mature market freedom

When asked about advantages for Taiwan's publishing industry in the Chinese-language and global markets, most publishers mentioned the country's open democracy, the use of a free market system, and its long-standing cooperation with international markets. After years of development, Taiwan's publishing market is orderly and functioning whereas that of China, so soon after entry to WTO and despite gradual opening, is still chaotic. Market trading regulations need to be established and safety measures strengthened, which will also create competitive opportunities for Taiwan's publishers.

(II) Comparison with European & American companies; Taiwan enterprises have advantages in language and culture similarities.

In responding to the survey, some publishers said that Taiwan would have an advantage in the PRC market due to usage of the same language and culture. They also indicated that those books popular in Taiwan are also popular in the PRC. This should hold true for the initial development of PRC markets at least.

(III) Advanced enterprises in the Chinese-language market

Publishers of both ordinary and technical books suggested that Taiwan has advantages over the PRC in terms of themes and editions. Also, due to its earlier economic development, Taiwan has more mature capitalization and entrepreneurship, and so is an advanced area within the Chinese-language publishing market.

(IV) Competitiveness of PC technical network applications

According to responses to the survey, informants thought PC & network application books published in Taiwan have certain advantages in the global market. Regarding the prospects for Taiwan's publishing industry in the coming three years, some respondents felt that the popularity of PCs and peripheral equipment would lead to development of digital books and multimedia publications, where traditional books can be transferred quickly into digital book form. The research found that only 12.13% of books published are in digital form, although related technical problems have been resolved. The remaining problems relate to

copyright and reading habits. When the latter can be changed, electronic books will become more acceptable, and the market for such books will begin to grow. Companies looking to that sector should make preparations now, so as to ensure their market share in the future. Some informants said that creation of databanks were central competitiveness, and would work to collect and digitalize pictorial information to cooperate with school curricula, making such data available to teachers and students. Others indicated the reuse of resources as central to competitiveness, mentioning such areas as translation of traditional Chinese characters to simplified Chinese, publishing and issuing of DVDs, VCDs, audio and digital books.

(V) Advantages through intra- and inter-industry alliances

Some survey respondents suggested the importance of alliances with different industries, particularly for publishers of general, technical, and children's books. Their reasoning included the creation of new readership groups to replace traditionally scattered customers. Through cooperation with companies in the movie, drama, music and electronic game industries, book publishers hope to attract the customers of these other sectors. Cross-industry alliances are seen by some informants as the key to publishing development in both Taiwan and PRC, so that publishers will cooperate with other industries to create new sales channels and attract new consumers.

(VI) Integration of publishing and sales resources

Some respondents identified the integration of publishing and sales resources as an inevitable trend. Integrated publishing is not only for one book, but extends to other areas. Sales integration should include all resources.

(VII) High quality and low priced publications

This research identified the advantages of Taiwan's publishing industry as writing, editing, printing, professional management, sales, distribution, packaging and publicity. Whether this is true or not, it still reflects the confidence of local companies in the quality of their operations and products. As such, local publishing companies thought Taiwan's competitiveness lies in the low prices and high quality.

IV. Exterior threats

(I) With political fluctuation across the Taiwan Strait, the PRC market is not clear and long-term planning is difficult

As for the issue of relations between Taiwan and the PRC, most companies interviewed expressed dissatisfaction with the book publishing systems in both countries. Reasons included too many restrictions, chaotic operations, limited sales channels, problems of remittance, and lack of complete legislation. In general, companies investing in the PRC must endure all the risk as the government offers no assistance. Regarding the difficulties involved in overseas investment, some respondents mentioned the legal position in the PRC that forbids overseas companies running publishing businesses, added to which the rapid changes taking place, and they say that control

has become difficult. Others mentioned the difficulty of obtaining visas for Taiwanese staff, complex procedures, and difficulty of recouping capital, all of which are real problems in the PRC prior to its opening of markets.

(II) Insufficient capital

Although Taiwan has some advantages regarding PRC market share such as similarity of language and culture, this research has shown that 69.58% of local publishing companies have less than ten members of staff, meaning their operating scale is small. In addition, most are family enterprises and, even after liberalization of the PRC's markets, the rate of success will be low in the face of competition from large international groups and capital. Even if they have the will to participate in this international market, most of Taiwan's publishing companies lack the ability. All respondents emphasized this disadvantage of Taiwan's companies insufficient capitalization and difficulty in attracting capital.

(III) The limitation of traditional Chinese characters

Some informants stressed the importance of having clear operation and procurement of copyrights for the Chinese-language market, to prevent low-priced simplified character books threatening the market for traditional Chinese character books. Since the return to China of Hong Kong in 1997, the use of traditional characters has been limited to Taiwan, which is seen as an obstacle to the marketing of traditional Chinese character books.

(IV) Taiwan's advantage will be replaced by the PRC

This research found that Taiwan's publishing industry is still more advanced than the PRC. Development in the PRC has been rapid over recent years, however, and not only in planning ability, but also in packaging and marketing. Many informants indicated that Taiwan's advantages will be replaced by the PRC in the future, therefore.

(V) Dangers for Taiwanese publishers operating in China

Respondents indicated that only 12.02% of Taiwan's publishers are members of groups. Facing future trends, some companies suggested that the current trend should be for small publishers to form larger groups would improve their economic scale and competitiveness. The research also suggested that trends towards merging are also popular in the PRC. Books issued by such groups attained high market shares and had large resources, which creates further disadvantages for Taiwanese publishing companies attempting to be active in China.

(VI) Poor foreign language skills

Another disadvantage for the Taiwan publishing industry is language. This is reflected in the TOFEL scores of Chinese and Taiwanese students. While more and more people in Taiwan speak English, those that speak it fluently are few. This presents disadvantages during international negotiation and publishing cooperation.

(VII) Insufficient global sales skills

When compared with the international publishing industry, Taiwan's disadvantages include poor

global sales, problems in distribution and unsatisfactory packaging competitiveness. This is not only true for the publishing industry, but for most industries engaging in international trade. There are few internationally famous Taiwanese brands, and none whatsoever in the publishing industry. This is a great disadvantage for local companies.

(VIII) Cultural supremacy is difficult to break

Publishing is a cultural industry but, because of international cultural supremacy, Chinese culture cannot compete with Western cultures. This also explains why the UK and USA are the major exporters of copyright, while Taiwan and the PRC's copyright sales are few.

(IX) Insufficient professional skills

Whether regarding the local or global market, many respondents indicated that there is a shortage of professional skills in Taiwan. Actually, the situation in the PRC and other countries is different from that in Taiwan. In the PRC, for example, because the publishing industry is one of the top two sectors in terms of salary, many professionals choose to enter this field. Moreover, given that the educational publishing industry in the PRC is at an earlier developmental stage than of Taiwan, their professional elite will be a threat to Taiwan's publishing industry. In conclusion, 1.99% of local manufacturers interviewed hoped that Taiwan's government can strengthen professional training.

(X) Insufficient information

Regarding the international publishing market, 0.8% of the informants indicated that exchange of information is insufficient, saying that Taiwan's publishing industry information channels for both

domestic and foreign markets are incomplete, meaning it is hard to undertake market research and accumulate experience. Such a situation allows Taiwanese companies to compete only on a one-off basis in the PRC market, and the failure rate is high. The PRC's planned economy means that local governmental institutes have relevant research data. Furthermore, although these official or scientific research institutes are not perfect, information in the PRC is more complete than in Taiwan. 3.78% of informants to the survey expressed the hope for help in creating information platforms to supply new book information and sales data.

(XI) Shrinking global book market

When the interviewees are asked in the qualitative indepth interviews about their pessimistic perspective to the future' publishing industry, or what they would like the government help or assist, or their opinion in enterprises' key success factors , strength, weakness of Taiwan's publisher in Chinese language or Global market, they usually mentioned that the popular of internet, deversification of leisure and entertainment are jeopardizing and diminishing the reading population.

This phenomenon is not limited to Taiwan, as global readerships have declined. Many governments are concerned about how to encourage reading. For example, a reading festival has been held since 1999 in the UK to inspire reading. Children's reading materials have been promoted in Japan since 1993 with related legislation passed at the end of 2001, making April 23 into an annual Children's Reading Day. In the USA, all presidents have tried to encourage reading, such as in the Bill

Clinton's "Reading Challenge" or George W. Bush's "Reading Privilege" programs. A "School Newspaper Week" is held each year in Finland, while in Hong Kong the government advocates teenage reading⁴. In April 2003, Taiwan's National Library held a "Books & Book Reading Forum" and the local governments in Taipei, Taichung, Taoyuan and Kaohsiung all hold annual book expos.

That all these countries endeavor to promote reading confirms the decline in reading populations. If people do not read, the prospects of the publishing industry are bound to be pessimistic. Decline in readerships is the greatest threat to the global publishing industry.

Through SWOT analysis, the general competitiveness of Taiwan's publishing industry is found to be good, but detailed interpretation shows that the business structure is not so good. Some of the competitiveness comes from its diversity and flexibility. Of course, each publishing company is different and has different strengths and weaknesses, so their competitiveness and threats also vary. The analysis of this survey may not be applicable to every publisher, and each company should make more precise analysis of its resources and conditions before deciding on policy.

⁴ The information on the promotion of reading is obtained from the website *Gate of publication* , <http://www.publishing.com.hk>, which is quoted by He Shu Bin from Shanghai's Wen Hui Paper 〈Developed countries have initiated the reading activity〉 in Oct 2, 2003

Section three: Analysis of Future Trends and Developments in the Publishing Industry

This section is compiled using data obtained from Q7.1 and Q7.6 of the *Future Developments of General Industry* integrated with basic research from *The Evolution of the Book Publishing Industry* to reflect informants' predictions for future trends and developments in Taiwan's publishing industry.

34.59% of the 503 publishers responding to the present survey think that changes over the next five years will not be large. Roughly one-third has an optimistic outlook and another third an pessimistic outlook. A majority of respondents think that trends will continue much as the present.

The twelve likely future trends in the industry are as follows:

One. Greater responsiveness to readers' requirements

The publishing industry is both cultural and commercial. Under the influence of changing living circumstances, the sector has changed from being led by the whims of writers and editors to be more responsive to readers' requirements. 17.1% of respondents attributed "studying market demands and focusing on the reader" as a key factor in the success of Taiwan's companies. Some reported that core competitive ability in the future should be "R&D skills and originality." Publishers should also observe market demands and then establish theme, planning, creating and editing departments. At present, many popular books are planned to match readers' tastes, with data collected in accordance with this brief. While not particularly "creative," this kind of book is also

welcomed by the industry, and explains the large number of imitations launched in the wake of a successful popular book. Readers' research is becoming increasingly important, therefore.

Two. Specialization in the publishing industry towards the increasing volume and diversity

The main reason offered by respondents to this survey for optimism about the local publishing industry over the next five years was "professional books and specialized marketing" (19.08%). 10.87% of the informants thought that future operations need to be professional; others suggested that development should be towards "increased diversity and reduced volumes," with "specialized content."

Due to the limited nature of the local market and the high number of publishers, competition is fierce. Publishers serve both mass and professional audiences. Because of their clear target group, publishers of professional books tend to be more stable. Pili Publications Inc. for example, has good performance because of support from its members.

Three. Increase of part-time staff

This current research discovered that the number of publishers with less than ten members of staff increased from 55.8% (in 2000) to 69.58% (2002). This is partly due to the setting up of new publishers, but also to the trend towards part-time staff. This phenomenon should improve efficiency and reduce fixed costs. Many publishers have stopped hiring senior editors with high salaries and, instead, commissioned this work from outside. One problem this leads to is in controlling the quality of work by

part-time staff. At present, personal experience and contact (introduction through acquaintances) are important methods; in the future, publishers are likely to rely more on human resource companies.

Four. Increasing market share for examination and reference books

The current research found that the sales volumes and actual sales of examination and test books are highest (see table Q4.2). This phenomenon is associated with the opening up and reform of education in Taiwan. In discussing the effects of social environment on the publishing industry, some respondents suggested that the pressure felt by students under the current education system means that the reference book business will continue to be good and publishers in this sector expressed optimism. Promotion of localized education will lead to an increased market for Taiwanese-language teaching materials. Recitation of Tang dynasty poems and books such as the *Confucian Analects* have promoted their sales, as has a focus on teenage mental health. School level reference books are expected to remain popular, therefore.

Five. Alliances within the publishing industry and with other industries to enlarge markets

According to this survey (Q7.2), it was found that that 23.26% of informants thought inter-industry alliances would be an advantageous development trend over the next three years, allowing publishers to develop new readership groups. Alliances with the movie, drama, music and digital game industries would allow book publishers to attract the attention of other groups of

consumers.

Taiwan's small market size and severe competition mean that alliances within and between industries may be the best way to successfully expand markets. Some independent bookstores and small publishers are already trying this kind of development policy, such as the Recreation Promotion of Chong Ching S. Rd. Book Street. Similarly, the Women's Bookstore, E-Sun Bookstore, Shin Ling Gong Fang, Zhi Neng Shi Ye Ti, Kao Tan and other small publishers and bookshops are cooperating to promote the "Reading Stimulus Alliance." Some publishers are even cooperating with education websites, mobile phone users or digital book readers to create larger markets and higher profits.

Six. Integration of publication and sales resources

Many respondents thought that sales channels were the third most important factor for Taiwanese publishers (10.34%), with some recommending increased integration of publishing and sales channels. In the future, therefore, in addition to their publishing operations, publishers will increase their competitiveness by operate bookstores. Other new sales channels will be developed such as Internet bookstores. Recent additions to the self-owned retail outlets include Shangwu, Lianjing, San Min and Cheng Chung. Others such as Cheng Bang, Er Ya and Lin Yu will also focus on setting up outlets or improving quality of service at outlets. Other publishers are emphasizing chain sales channels, such as food and drink publications which can be sold through food service outlets, or children's books which can be sold alongside other children's products.

Respondents saw integration between the publishing and sales industries as an inevitable future trend. Such an integrated industry is not limited to books sales, as was shown by the success in 2002 of *Lord of the Ring*, which also created great revenue for peripheral product manufacturers. Similarly with *Harry Potter* and *Jimmy*, where integrated sales aim at creating the largest profits for all elements.

Seven. Urgent demand for capital

Regarding the question of difficulties in investment abroad (Q6), obtaining capital is identified as one of the medium to long-term difficulties. As regarding help from local government (Q3), 11.13% of informants reported that they hoped local government could help with publishing industry finance and reduce interest rates. "Sufficient Capital" (5.17%) was also identified as a key factor in Taiwan's publication market. Insufficient capitalization is accepted as one of the disadvantages for Taiwan's publishing industry in both the Chinese-language and global markets. Some informants indicated that local companies will face threats from overseas companies when participating in the PRC market over the coming three years.

These above-mentioned considerations reflect that capital is one of the most important factors for future development of the publishing industry. After both the PRC and Taiwan were admitted into the World Trade Organization (WTO) in 2002, an increasing number of Taiwanese companies have moved their business to PRC, being seen everywhere in large cities such as Beijing and Shanghai. Traditional family-style enterprises with limited capital are, therefore, restricted in their

development towards both the PRC and global markets. Taiwan's publishers need to establish clearly regulated operations and financial structures in order to attract foreign investment, and thereby improve their opportunities.

Eight. Establishment of digital databanks

Some informants suggested that, as a result of the popularity of PCs, many readers now have become accustomed to reading from paper, disks, digital books and even audio books. As readers come to depend on digital media, the digital book market will also develop. In 2002, revenues of digital books accounted 12.13% of the total book market. Development in other countries is similarly not great, but 32.8% of informants reported that they would handle digital operations in the future. Some companies said that digital databank operations will be the first development for core competitiveness, and suggested that after all data had been translated into digital format, they can be used in cooperation with school curricula by students and teachers. Accumulated client information can be subdivided on the basis of reader groups and used to set up book associations. Chief editors can set up forums on the Internet to allow readers to access information about new books and exchange experiences.

This reflects an interesting phenomenon that, although few companies have focused on digital publication, digitalization has nevertheless saturated the publishing industry. All procedures, from typing and editing, to setting up type and printing, have been digitalized. Apart from technological problems, the trend toward digital books faces bigger questions such as whether readers will change their habits and whether

copyrights can be protected. When these opportunities mature, development of the digital book market will be rapid. Until then, publishing houses should start to set up integrated databanks for past, present and future information. Many companies have started to pay attention to this problem. Yuan Liu Publishing is the best sample. Opportunities will be there for those who make the best advance preparations, and this will determine whether Taiwan's publishers can make a complete transformation or not.

Nine. Creation of brand recognition

Brand name recognition was identified as another key factor for success (Q7.4). When asked how to make the book publishing industry a target of investment, some companies expressed the importance of brand name recognition. Other informants identified multi-brand operation as another advantageous trend for development. Brand name recognition was therefore seen as both an important factor in generating stable market sales and for attracting investment.

Ten. Emphasis on publishing education and training

Regarding the issues of government assistance and skill training, some informants thought that the government should focus on the training and education of writing and operating talent. Other companies also indicated that insufficient human resources was one of Taiwan's disadvantages in the Chinese-language and international publishing markets. Related training will help Taiwan's competitiveness in the future.

Under the impact of new technologies, the publishing industry has undergone wide-ranging

reforms over recent years, particularly in the areas of writing, editing, design, output, printing, data-saving, and reuse. When facing new challenges, the traditional means of "learning by doing" means that there is a time lag in meeting demand. In this case, proactive learning is more suitable. Everywhere, from Europe and the US, to Taiwan and the PRC, publishing education has been promoted. In addition to curricula in junior colleges, the Publication Research Institute (renamed the Publishing Management Institute) was founded by Nan Hua University in 1997. A publishing management master class has also been founded by National Chengchi University in 2003, and Tamkang University also plans to set up a related class. An editing certification exam system was set up in the PRC in September 2002, which reflects a growing emphasis on publishing education.

Eleven. Publishing research and establishment of an information platform

3.78% of informants hoped the government would establish an information platform to provide information and sales data about new books. Faced with this demand, one industry-wide research has been held since 1997, but then ceased again in 2001. Not only Taiwan is like this, similar research in the UK was only carried out in 2000 and, although supposedly a planned economy, so too in the PRC where much of the book research was actually just for promotion of consensus.

At present, there are three methods of conducting book research in the PRC. The first is macro research, such as the *Reading & Procurement*

Trend of Chinese People by the Publication Scientific Research Institute of China. This included books, magazines, and digital network publications. The second is commercial retailing book market research. The third is *Publication Reference*, a small readership research in the column of *First Hand Research*. Most people regard these researches as dubious, intended to promote book sales and nothing more. Some even doubt the real target of this market research, suspecting that it is not to supply market demand service to local publishing companies (as it should be), allowing them to access trends, themes and changes readership, so as to reduce “investment blindness” and, therefore, risk. None of these researches have such efficacy. How has this situation come about? Department Director at the Advertisement & Market Research Center of Beijing Printing College, Mr. Huang Ruo Tao, has suggested that it has connection to the nature of the publishing industry. Books are short-term products, and publishing houses are suppliers of a variety of products. It is difficult to target core readers and demand accurately.⁵ Nevertheless, it is possible to learn something about the actual conditions in Taiwan, so this kind of research is not useless. In addition to such industry research, the government as also focused on establishing platforms for publication information, such as the *New Book Information Monthly*, and the Taiwan publication information network. It is hoped that through these, the Taiwan publishing industry will gain advantages for success.

⁵ 「Gate of publication」 <http://www.publishing.com.hk> , 〈The disturbing book industry research 〉 by Lin Qin, quoted from Beijing's 《Guang Ming Daily》, 2002.4.4 .

Twelve: Migration to the PRC

Regarding a conclusion for future development trends (Q7.2), 17.69% of informants said that it would be toward global operations trend. For companies operating in either educational books or general books, future trends were predicted to be toward gaining a share of the Chinese-language market. The main reason for this was because subject collection and editing were both better in Taiwan than the PRC, and economic development is also more advanced here, meaning that capitalization and corporatism are more mature than in the PRC. Taiwan is a leading area within the Chinese-language publication market, added to which are the advantages of cultural and linguistic similarity, making Taiwan's books popular in mainland China.

In facing the opening of China's markets, Taiwan's publishing companies maintain a strong interest despite doubts about unclear legality and the safety of trading. To date, many large and small-sized publishers have established offices in the PRC to handle sales of mainland versions or cooperative venture publishing. The true condition should become clearer over the next few years.

Chapter II

Analysis of the book marketing channels

In 2002, the publication industry experienced nothing special but petty problems. The international economic depression, political chaos, and declining national income all resulted in a clear slump for the publication industry. The unfavorable condition of publishers was explored in the previous chapter; the overall situation for marketing channels is even worse. Incidents such as the account dispute between the Kingstone Book Co. and the Nung Hsueh Agency, the bouncing check issued by China Times' sub-wholesaler Fa Da Ltd., the financial crises at Jin Hsiu Publishing and the Kuang Fu Group, and the closing down of 16 chain distributors and 200 bookstores all forecast a bad outlook for the industry.

This series of natural and human disasters did not prevent an overall increase in the volume and sales of books, however, which have surged to 38,581 titles. Despite unfavorable profits experienced by retailers, large chain bookstores did not cut back on their efforts to introduce new promotions which, in turn, helped boost the whole sector. Alliances of independent bookstores, improvements to store layout, and even expansion to mainland China, have all showed a stilling on the surface but actually, a diversification of the book marketing channels' status in 2002. An analysis of book marketing channels follows:

Section one: Analysis and research of book marketing channels

One: Basic information

As there are more bookstores in the north of Taiwan than in the south, and more in metropolitan areas than in rural areas and smaller towns, the geographic variable in the current research is highly valuable. This research indicated that 42.30 percent of single outlet bookstores are located in the north, as are 85.71 percent of chain bookstores' head stores and 47.43 percent of their branch stores. Taipei (in the north) boasts the highest single proportions of both single outlet stores (18.68%) and chain bookstores (23.53%). This can be compared with the data on consumer reading habits conducted in 2000, which found that 33.66 percent of books were bought in the north, with Taipei (16.26%) the top location in Taiwan. It may be concluded, therefore, that the size of the area in which people live is proportional to the quantity of books bought; those who live in metropolitan areas buy more books. The current research finds that in terms of legal status and capitalization, 80.54 percent of single outlet bookstores are sole proprietary, 84.41 percent of which have capital investment of less than NT\$1 million, and only 6.87 percent are companies limited by shares (most of this latter subgroup are outlets for selling or promoting book products belonging to affiliated enterprises). For chain bookstores, on the other hand, most (61.9%) are public limited companies, 57.14 percent of

whose capital is over NT\$5 million, and only 9.52 percent of them are sole proprietary. From the above it can be seen that over 80 percent of Taiwan's bookstores are small.

Two: Store types

In terms of store type, most single outlet bookstores are general bookstores. The 2000 figures show that 42.11 percent of general bookstores are single outlet stores, while only 18.17 percent are chain stores. Conversely, 70.57 percent of single outlet bookstores are general bookstores, while mixed bookstores are second only to general bookstores among chain bookstores, with all other types being below 10 percent. Chain bookstore operations are more diversified than those of single outlet store, indicating that chain bookstores are keen to provide a wide range of services to consumers.

In terms of the kinds of commercial environment in which bookstores operate, most (32.33%) single outlet stores are located in the mixed districts, followed by commercial districts (25.56%). While the chain bookstores are mostly located in educational and commercial district, both percentage are 47.62%. Whereas in terms of brick-and-mortar branches, 25.37 percent are located in educational districts, and 19.12 percent in mixed district.

Three: Store Area, Location and Layout

The current research finds that most (62.63%) single outlet bookstores occupy an area of between one and thirty ping (about 6ft square), with detailed analysis of the diversity of areas similar to that found in the research of 2000. Due to their small area, ownership patterns of single

outlet bookstores roughly equally split between owner-occupied (48.11%) and rented (51.79%). Nevertheless, the proportion of single outlet bookstores that are owner-occupied is higher than that of chain bookstores. As for changes in rental costs since 2000, 71.59 percent of single outlet bookstores indicated no change in rent, 18.88 percent indicated a lowering of rent, a fact closely related to market condition of economics.

Concerning the operating areas of chain bookstores, the percentage of 1~30 ping and 101~150 ping are the highest, both are 42.86%; while another 14.29 percent are more than 351 ping. On accounting the number of the affiliated bookstores, the highest percentage, 26.47 percent own 101~150 ping, and the second is 51~80 ping (15.07%). Due to their large size and large operational area, 91.54 percent of chain bookstores are rented. 46.59 percent said that rents are lower than in 2000, while 46.18 percent said there had been no change.

From this research it can be seen that operational areas of chain bookstores tend to be larger than those of single outlets, which also relates to the more diversified services provided by chain bookstores.

As for the operational floor and the size, 86.83 percent of single outlet bookstores are located on the first floor. These comprise of bookshelf area (96.90% calculated as shelf area/floor area), and stationary area (63.70%), while the floor area occupied by each are 39.68 percent and 31.85 percent respectively. Although 85.71 percent of chain stores are located on the first floor. On accounting the number of the affiliated bookstores, the highest percentage 48.95 percent

are located on the second floor. In addition to bookshelf area of 100 percent (shelf area/floor area), and stationary area (33.33%), chain bookstores also emphasize new book areas (85.71%), magazine areas (76.19%), and presentation areas (85.95%). The respective floor areas occupied by each of these are 40.86%, 8.10%, 9.29%, 7.71% and 14.10%.

This research suggests, therefore, that the small size of single outlet bookstores limit their commodities to books and stationary, whereas the larger chain bookstores with their diversified operations, can hold promotion activities, as can be seen by the new book and presentation areas being larger than the magazine area.

Four: Services

The research indicates that the average service hours of both single outlet bookstores (12.41 hours) and chain bookstores (11.74 hours) are one to two hours less than in 2000 (13.2 hours).

65.25 percent of single outlet bookstores do not provide membership services. Of those that do, 93.38 percent use VIP cards, while only 0.56 percent use co-brand card. In comparison, 57.14 percent of chain bookstores provide membership service, all of which use VIP card marketing strategies, and 16.67 percent issue Co-Brander Card in cooperation with banks. This shows the popularity of credit card use in chain bookstores.

68.54 percent of single outlet bookstores provide additional services, and 30.11 percent indicated that they hold regular or irregular activities to strengthen relations with their readers. 90.48 percent of chain bookstores provide additional services, with 57.14 percent holding readers'

activities, mainly on themes relating to discounting promotions. With their abilities at integration, chain store activities tend to be more interesting and diversified.

Five: Sideline businesses

Although the Internet has become increasingly widespread and has increasing effects on people's, 84.15 percent of Taiwan's single outlet bookstores do not have plans to set up online bookstores, this is related to their small size and limitations on labor resources. 23.81 percent of chain bookstores have online bookstores, however.

In more detailed interviews, it was found that operators of with online bookstores, both of single outlet stores (33.33%) and chain bookstores (80.00%), shared an understanding of the positive features of online stores. These include their easy searching, time-savings, and free location, and that customers could order books from either home or office. Moreover, around 60.00 percent believe that the average merchandise price is cheaper online than in other outlets. Nevertheless, single outlet and chain bookstores attached different levels of importance to online bookstores, with the latter more confident regarding online bookstores' positive features, with 60 percent thinking that online merchandise is more popular, and that the range of books available is wider and more complete.

As for the proportions to run other part of business in the publishing value chains, single outlet stores report a low percentage (10.84%) for its small size. Of those that have sideline businesses, most (74.11%) are distributors and agents. A higher

proportion (38.10%) of chain bookstores indicated that they have sideline businesses in mid- and upstream industries, of which most (87.50%) are publishing companies.

Six: Merchandise

In terms of merchandise, in single-outlet bookstores, books are top (49.12%), followed by stationary items (36.51%), and magazines (6.89%). Merchandising area is rather different, showing bookshelf area (95.16%), stationary area (63.60%), and magazine area (57.89%) respectively, which also correspond to floor area proportions of 38.78 percent, 31.92 percent, and 5.29 percent respectively.

In chain bookstores, revenue from books accounts for 62.57%, and, although the sales portion of stationary, magazines and video tapes, CDs, VCDs, and DVDs is high, revenue from these commodities is relatively low, perhaps because customers are shared with convenience stores, PC stores, and other specialized stores.

3.78 percent of single-outlet bookstores and 9.52 percent of chain bookstores sell books from mainland China, while of those not selling such items, 31.58 percent of chain stores and 14.49 percent of single stores indicated they will sell books from the PRC after restrictions on selling books by China's academics are lifted. Those with no such plans will continue to monitor the situation.

Book operators are more aggressive and optimistic in the area of foreign-language books, with 47.62 percent of chain bookstores and 28.94 percent of single-outlet stores selling such books, with sales volume in proportion to the general

capital investment of the bookstores. Moreover, analysis of sales by region shows that the north of Taiwan has the highest sales proportion (29.52%) of foreign language books, while analysis of location by type of district shows that hospital neighborhood zones (66.67%) and railway station neighborhoods (55.17%) have the highest sales rates.

In terms of book layout and revenue proportions, this research found that examination books had the highest layout in single-outlet stores (9.09% in 2000; 16.94% in 2002), while revenue from examination books is also highest (17.30%). In chain bookstores, on the other hand, the highest layout portion was given to literature books in 2000 (8.60%), and comic books in 2002 (14.65%), the latter accounting for 14.33 percent of total revenue. (The research for 2002 included the interview of two stores, which only sold comic books, which perhaps skewed this statistic.)

Seven: Sales

Peak sales time for bookstores in 2002 was after work hours (after 6pm: 71.52%), followed by 4pm-6pm (69.29%). In the current research, single-outlet and chain bookstores both had good sales after 4pm (especially between 4pm and 8pm), while chain stores also reported good sales around lunchtime (12am-2pm), which might be attributable to the location of chain bookstores close to office buildings. On weekends and holidays, sales were best for both single-outlet and chain bookstores between 2pm and 8pm.

In terms of consumption value, 40.17 percent of purchases in single stores are below NT\$100. Because of this small value, credit cards are rarely

used. In chain bookstores, 33.33 percent of purchases cost between NT\$301 and 500, and 71.43 percent of purchases are made using credit cards.

The best discount rate found in the 2000 survey was 9% off; that in 2002 was 15 percent for single-outlet stores and 14 percent in chain bookstores. This might be a result of competition resulting from the rise of the NT\$69 Bookstore.

In terms of annual sales, 67.67 percent of single stores were below NT\$5 million, while chain bookstores sales were mostly over NT\$10.01 million and 38.10 percent reporting sales over NT\$ 80.01 million. When asked to compare sales with 2001, 77.07 percent of single stores and 57.14 percent of chains reported a decline in sales (of 29.90% and 22.17% respectively). The main reasons for this decline were identified as the economic depression and industrial migration.

The book return rate of single stores was up from 36.84 percent in 2000 to a new record of 37.97 percent, while that of chain stores decreased to 30.25 percent, perhaps as a result of the latter's good sales and solid inventory management.

In respect to book layout and volume, single stores had an average of 12,000 books per store, while that of chain stores was over 30,000. According to the 2000 survey, selection of new books had been largely (63.32%) based on publishers' experience, whereas the present research indicated that for single stores it is mainly (31.75%) based on personal feeling, and for chain stores mostly (66.67%) on the new book's numbers.

According to the 2000 figures, only 37.27 percent of bookstores possessed an inventory, whereas in the recent research, 27.30 percent of single stores

and 57.14 percent of chain stores possess inventories.

Eight: Manpower

Chain bookstores have an average of 69 members of staff, while that of single stores is only 3. This latter figure is down from 5 in 2000, which reflects the downsizing of staff during the economic slump. 51.43 percent of staff in single stores are high school or vocational school graduates, while 54.51 percent in chain stores are junior college graduates. A majority of both single stores (87.40%) and chain stores (95.24%) of stores operate on-site training for new employees.

Regarding the further employees in-job training, 48.79 percent of single stores have no such scheme, so avoid such problems. 57.14 percent of chain stores have training course, but also identify no problems.

Nine: Computer use

Due to their limited capital, only 30.01 percent of single stores use computers to manage their books, while the rate in chain bookstores is 71.43 percent. Further inquiry of those using computers for book management, 18.06 percent of single stores complained about shortcomings in the information functions, while 26.67 percent of chain stores complained about incomplete databases. Of those not using computers, when asked about the reason 73.69 percent of single stores and 50.00 percent of chain stores indicated that they were not necessary, while 33.33 percent of chain stores said the price of software is too high.

As for the resources used when problems occur in computer operations, single stores tend to resort to management training courses, while chain

stores are fairly numerous.

Ten: Investment

Both single stores (12.20%) and chain stores (52.38%) look to diversify development over the next three years. At present, the number of stores with international operations is low at only 1.06 percent of single stores and 9.52 percent of chain stores. Of these, the main business is still in bookstores; all the chain stores have investment in overseas bookstores, as do 81.82 percent of (this small number of) single stores, mainly in the PRC and Japan.

The economic depression and limitation of size of business have forced down the willingness of channels to invest. Only 1.26 percent of single stores and 19.05 percent of chain stores have plans to invest in overseas bookstores. Top destinations for this investment include the are PRC (53.85%), USA (23.08%) and Hong Kong(15.38%) for single-outlet stores, and the PRC (75.00%) and Hong Kong (50.00%) for chain stores. From this, the importance of the PRC market can be seen.

Eleven: Advice to the publication industry and bookstore operators

Taiwan's numerous publishers and bookstores have led to a high number of publications. Limited reader and book buying populations have led to fierce competition, however. Regarding this, when asked for advice to their peers, 72.70 percent of single stores and 76.19 percent of chain stores had nothing to say. 6.78 percent of single stores hoped to see a reduction in this over-competition in the market.

Section Two: Analysis of competition

This section will use SWOT analysis to look at the strengths, weakness, opportunities and threats in Taiwan's book marketing channels. The data was acquired from qualitative and quantitative research of the 2002 book market report.

One. Interior Advantages (Strengths)

(I) Wide range of book types and diverse choice

The business performance of Taiwan's publication industry is satisfactory, due to the creativity of Taiwan's writers and the good planning of publishers. Leisure books and tourism magazines in particular, emerged following the implementation of the two-day weekend in 1996. The stock market boom also led to good sales performance of books dealing with enterprise management. Mental encourage books have also flourished due to people's increased leisure time and money. Sales of experimental books were also good due to the setting up of new publishing groups and magazines. Many online bookstores were also set up through participation of multinational publishing groups in the Taiwan market, as well as the development of branch stores by the four largest chain bookstores, and PC and Internet dissemination. The PC book business is also satisfactory. Moreover, with the belief that the 21st century will be the Chinese century, the book and magazine market will mature with sufficient time, locations and support. Despite effects of the international economic depression of recent two years, Taiwan's publication market is still diversified, and still surprises local readers,

meeting their different requirements.

(II) Smooth communication and exchange of ideas between readers and publishers

Compared with online bookstores, the business performance of local “real location” bookstores (divided in this report into single-outlet and chain bookstores) is good in terms of customer service. Not only can people enjoy the pleasure of reading, but make their purchases after flipping through and examining the content. If a store-bought book has something wrong with it, it may be exchanged for a new one. Readers can also communicate face-to-face with shop staff and exchange ideas with each other. Similarly, customer services in traditional bookstores are better than those of chain bookshops, characterized by human warmth. Chain bookstores, on the other hand, can offer specialized books and good after-sales service.

(III) Multifunctional operations make reading and book buying more enjoyable

Over recent years, Taiwan’s bookstores have gradually developed larger operating areas, more luxurious decoration, diversification of books types, and multifunctional operations. These bookstores have advantages of spacious layout and diverse book inventories. They also supply food services and entertainment, making reading and book purchasing a more enjoyable experience. The Eslite store at Taipei Railway Station had over 100,000 titles to choose from, for example, whereas the Eslite store at Dunhua S. R&D covers around 3,000 *pings* (almost 10,000 sq.m.) in area, and cooperates with food vendors to offer customers more enjoyable reading environments. (see Chart II-1)

(IV) Diversified sales channels meet different readers’ needs

Community bookstores occupy different market niches than chain bookstores or hyper stores. Campus bookstores, for example, attract readers from off-campus as well as catering to their stable client base, students. Similarly, specialized bookstores can play on strong operating features or concepts to attract their share of the market.

Chart II-1 Large-sized Bookstores in Taiwan (Multifunctional Bookstores)

Item	Bookstore	Operating Area	No. of Titles	Date of Establishment
1	Eslite Taipei Dunhua S. R&D. Store	3,000 <i>pings</i> (9,917 sq.m.)	N/A	Mar. 1989
2	Eslite Kaohsiung Dayuan Department Store Shop	1,000 <i>pings</i> (3,306 sq.m.)	N/A	Jan. 2002
3	Page One	700 <i>pings</i> (2,314 sq.m.)	350,000	Feb. 2004
4	Eslite Taipei Station Shop	600 <i>pings</i> (1,983 sq.m.)	100,000	Nov. 1997
5	Eslite Taichung Chung You Shop	580 <i>pings</i> (1,917 sq.m.)	N/A	May 1997
6	Eslite Kao-Ping Tatung Shop	500 <i>pings</i> (1,653 sq.m.)	N/A	Oct. 1999

Data Source: 1. The information for Eslite comes from the website: <http://www.eslitebooks.com>

2. The Information for Page One comes from the website: <http://www.tfc101.com.tw>

Two. Interior Disadvantages (Weaknesses)

(I) Diversification of sales channels pressures single-outlet stores

Local single-outlet bookstores have declined in competitiveness over recent years due to the increasing dominance of sales channels by chain bookstores. Further erosion for traditional outlets has resulted from participation in the book market by supermarkets, convenience stores, and specialist shops.

(II) Problems of capitalization, management and technology

In order to cooperate with trends toward increasing technology, single bookstores must improve their management as well as upgrading the relevant hardware and software facilities. Due to the expenses involved, however, local single bookshops with low capital lack the ability or will to do so. Their competitiveness and operating efficiency are further reduced by problems of poor information, conservative attitudes to operations and services, limited resources and poor logistics. Moreover, they lag other sales channels on book price, promotion, and advertisement.

(III) Problems of training

Staff fluidity due to limited salaries (averaging NT\$22,883 per month) is large in both single-outlet and chain bookstores. Professional training is not financially viable, therefore, so standards of service from new employees not familiar with operations and products tend to be poor, which, in turn, affects sales.

(IV) Bankruptcy upstream affecting stores downstream

Due to the large number (7,810 publishing companies in 2001) and small size of Taiwan's publishing companies (62.27% have less than NT\$ 5 million in capital; 2002), their effects on bookstores can be great. If publishers go bankrupt due to the financial crisis or their own poor management, bookstores will be affected in turn, and may also go bankrupt. Since bookstores issue checks to publishers or distributors when receiving books, which are offset when books are returned unsold, if up/midstream companies close, books cannot be returned and bookstore capital will be affected and operations will be interrupted. Chain bookstores' larger capital gives them stronger financial structures, so they will be less affected by such fluctuations.

(V) Decline in readership

With close exchange across the Taiwan Strait and the gradual opening of the PRC market, many Taiwanese professionals have moved to mainland China. With the decline in this reading population, sales in Taiwan have been reduced.

(VI) Technological developments are changing reading habits

Books have been read traditionally in paper form, but now, with knowledge available on PCs with the roll of a mouse, reading habits are changing.

(VII) Lifestyle changes

With diversification in leisure and entertainment choices, the habit of reading books is decreasing. Moreover, with changes in outlook, young people's demand for knowledge is also declining.

(VIII) Economic depression leading to a decline in book budgets

With rising unemployment and falling salaries, the economic depression is affecting book sales. More people are turning to libraries and book rental, leading to a fall in the percentage of people buying books.

(IX) Neglect of quality and copyright piracy

Low-priced smuggled, pirated or photocopied books are widely available at night markets. As consumers neglect quality and overlook copyright infringement, sales of legally published books are falling.

(X) Lack of consumer information

Establishment of a variety of branches by chain bookstores has led to a diversification of customer base and commercial features, and has allowed head offices to collect information from their branches. This is then collated and analyzed and the results fed back down to the branches for sales reference. Again, this is something not available to single-outlet stores, making it harder for them to compete with the chains.

(XI) Competition for space from other products

Expansion of operations by chain bookstores has led to a diversification of products. In addition to books and stationery, bookstores are now selling such items as audio & video products and PC peripheral equipment. The proportion of magazines is also growing, reducing the amount of space given to books.

(XII) Poor operation of chain bookstores

The gross profit ratio of local chain bookstores tends to be high, as is their share of the local book market. Business has not been satisfactory over recent years, however, mainly because of the failure of non-operating investments, poor operation, and unsuitable shop enlargement. With insufficient capital investment, the situation has become serious.

(XIII) Low price policy has changed the market's price structure

Appearance of the very low prices of the NT\$69 Bookstore, traditional price structures of the market have been altered. Furthermore, because of the economic depression, local bookshops have suffered. In the fight for sales, discounts of up to 15~20 percent have been offered on popular books, and even of 30 percent on some new books. This competition and such low prices have led to decreased profitability for local bookshops and publishing companies. If continued of a sustained period, it may break the price structure of the whole market, with publishers, distributors and bookshops being the casualties.

(XIV) Too many books, too frequently

Most Taiwanese bookshops are small- and medium-sized. Eighty percent are traditional shops, with operating areas of around 50 *ping*, meaning that only a limited range of books can be displayed. For each hundred new books given shelf space, one hundred old books must be removed. Around 3,000 new books appear each month in Taiwan, so the areas available in these bookshops are insufficient.

(XV) Repetitious books and short lifecycle

One strange feature of Taiwan's publishing industry is that when a book becomes popular, many similar ones appear and confuse consumers. In addition, to stimulate sales, local publishers and booksellers use price promotions, so that the life span of books is short and many are returned.

(XVI) Low gross profits

Expert analysis suggests that a gross profit margin of 24 percent or higher is needed for a bookshop to stay in business. Single-outlet bookstores report a profit margin of only 22 percent, however, with some as low as 18-19 percent (whereas the average of chain bookstores is around 34%). Under such conditions, the operation of single bookshops must be difficult.

Three. External Opportunities

(I) Diversified operations and alliances

By making alliances with each other, local single-outlet bookshops join forces in to buy books and promote products, thereby reducing costs and risks. Chain stores with more complex operations can cooperate even more broadly, for example with the food service industry or online bookshops, thus reducing costs and raising gross profits and make up for their unsatisfactory sales.

(II) Creation of an information platform

The purchase-discounted for single-outlet bookstores is 10-15 percent higher than that of chain bookshops, making their operating costs higher, which is one explanation for the closure of single bookstores. Setting up an information platform can reduce information management costs, as well as allow bookstores to adjust

procurement on knowledge acquired regarding features and sales information. This will help improve sales, and control capital and inventories.

(III) Cooperative procurement to reduce costs

Although the operating difficulties of single bookstores are serious, nevertheless, they have a means to resolve these problems. If single bookstores from different areas (10 to 100) can be integrated into an alliance, their competitive ability can improve. For example, they can cooperate together to make collective purchases, and their procurement discounted price will be lower. That is, if a single bookstore buys one new book, the discount is 30 percent, whereas if 50 bookstores cooperate together and buy 50 new books, their discount will be 35~40 percent. Furthermore, their collective sales promotion and advertisement costs will also decline.

(IV) Creation of a logistics system

For a long time, that the logistic expenses of single bookstores have been generally absorbed by the upstream publishing companies or midstream distributors have resulted in the steady low discount, incomplete of kind of products, and slow speed of supply. By setting up alliances, the collective logistic operations will be calculable, and all purchases, withdrawals, and repurchase flows will be consigned to a single advanced automatic logistics center for processing. This would not only improve the time efficiency but also reduce expenses. Upstream suppliers would also reduce prices, thus improving the efficiency of single-outlet bookstores and indirectly improving sales.

(V) E-environment advantage

Taiwan's Internet is better developed than that of the PRC, allowing accurate and rapid exchange of book and market information. Local publishing companies use Internet websites to supply book sales data, process information and promotional materials, and to take online sales orders. Information professionals and those with related skills are better in Taiwan than the PRC, giving Taiwan an advantage through the collection and analysis of sales and operating circumstances of all branches.

(VI) Cooperation with foreign investment to enter PRC markets

With the increasing internationalization of markets, Taiwan's publishing industry needs professional training and increased capitalization to survive. Through cooperation in publishing groups or cross-industry alliances, Taiwan's publishers will have the chance to enter the mainland Chinese publishing market.

Four. Exterior threats

(I) Growth of online bookshops

The Internet is without national boundaries nor limited by area, so is able to reach readers around the world. Their large number of customers will help to develop and internationalize bookstores. In addition, they have low manpower costs, limited expenses involved in procurement, sales and storage (no inventory pressure), no limits on time and space, and no rent, all meaning that business has greater scope and larger profits. Online bookstores are characterized by transparent information, rapid sales data, attractive prices and

a supply of brief introductions about the books. By entering key words, readers can find much relevant information unlimited by geographic region and without spending large amounts of time. Magazines can be ordered from home or office. Some online bookstores in Taiwan are even cooperating with convenience stores to allow customers to collect their purchases from their local store.

(II) Decrease of global reading population leads to decline in Books productivity

Development of the Internet has allowed the pursuit of knowledge to become relaxed and voluntary, particularly with the browsing function of the Internet replacing book reading. As online resources diversify, the global reading population will decrease gradually.

(III) Competition from foreign chain bookstores

International Internet developments have created a global village, in which many overseas ventures are entering Taiwan. Taiwan's advantage in the Chinese-language market is particularly attractive to foreign media groups. These include the Fnac Time Media Shop of the French PPR Group, which established its first Asian shop in Taipei. Its complex and diversified sales styles created a new reading space much appreciated by local readers. Completion of Taipei 101 and establishment of the Page One bookstore from Singapore will give Taiwanese readers even broader international vision. Local bookstores are conservative in comparison.

(IV) Price competition results in decreased profits

The large purchasing volumes of chain bookstores and hypermarkets can reduce the costs of books. With this price advantage, they can offer sales discounts. On top of this, the original prices being breached, meaning that although costs have not increased, profitability has declined.

(V) Due to insufficient capital, competition with China and other countries is becoming more difficult

The small scale and complexity of Taiwan's market means that local companies cannot compete with large and flexible foreign publishing groups both in terms of capitalization and information. This is particularly true when compared with publishing companies from the PRC. Although publication planning and packaging can be niches, the advantage of the same language is lost. Given the government's policy of open book imports, low-priced books from the PRC will reduce the profits of local publishers and bookstores. So government should initiate comprehensive policies when open the books market to avoid competition from China by its large capital and cheap human power.

Section three: Analysis of Future Developments

One: Multiple Outlets

Taiwan's book outlets may be divided into five parts: stores, direct sales, schools, mail-order and net sales. The economic depression has led to a rise in the rate of returned books, although the number of new books has risen to 3,800. To deal with these

problems, many publishers have begun to develop other outlets, most conspicuous of which are reading clubs.

(I) Reading Clubs

Book clubs are very different outlets from bookstores. They first appeared many years ago in the United States and Europe. One such, the Bertelsmann Club in Germany, which has almost 40 million members throughout the world, established a branch in Shanghai in 1997. This has attracted more than 1.5 million members in China. It was felt that Bertelsmann chose Shanghai and not Taiwan because of Taiwan' large number of bookstores, convenient service, and cheap prices. Nevertheless, over recent years many similar clubs have appeared in Taiwan. These included China Times' Yuedu Club, Citebooks' Bookworm Club, the Book Zone Book Club, and Wisdom Books' Hsiendu Club. Although these Taiwan book clubs operate slightly differently from overseas clubs, they both required a prepaid sum of money, after which, members buy books against that sum during a limited period of time. Since not everyone has time to read the detailed book contents and purchase books, the clubs sends members a list of books recommended by experts and editors. Those clubs which did not require prepayment, still required members to spend a minimum amount over a set period. If members did not spend this sum, their membership would be rescinded.

One thing for sure is that book clubs in Taiwan cannot match overseas clubs like Bertelsmann. Ten percent of book sales in Europe and the United States come from reading clubs, a figure that is still increasing (see chart II-2 and II-3). These clubs are

ambitious, not just regarding sales of books, but also of CDs, mobile phones, and software. Taiwan's clubs tend to be more simple, helping readers to choose good books and classify the books according to different reading preferences. Value was added to the books through various activities and lectures. The Book Zone Book Club aims at a "better pick" of books through selection of an

editor in chief and reading conferences, while Wisdom Books's Hsiandu Club set up their *Little Prince* handbooks and silver garnitures to attract Little Prince fans. This sort of domestic book club, in line with global fashion, have succeeded in raising the popularity of reading and the quality of books, and will have a profound effect on the future book market.

Chart II-2 Books Outlets in the UK

Outlets	1997		1998		1999	
	Volume	Value	Volume	Value	Volume	Value
Bookshops	35%	39%	36%	41%	37%	41%
Book & Stationery Shops	20%	22%	18%	20%	19%	22%
Other Retail	16%	11%	14%	11%	14%	10%
Book Clubs	11%	11%	12%	11%	11%	11%
Supermarkets	7%	4%	7%	5%	7%	5%
Other Direct Outlets	7%	9%	8%	9%	8%	9%
Other	4%	4%	4%	3%	5%	4%

Sources : Booksellers, <http://www.booksellers.org.uk>

Chart II-3 Books Outlets in the USA

Outlet	2000	2001
Bookstores	32.8%	33.1%
Book Clubs / Mail Order / Book Fairs	23.8%	24.9%
Mass Merchandisers	9.0%	8.3%
Discount / Variety Stores	7.8%	6.0%
Internet	5.5%	5.8%
Warehouse / Price Clubs	5.7%	5.6%
Food / Drug Outlets	3.0%	3.1%
Used Bookstores	2.2%	2.5%
All Other	9.3%	10.1%

Sources : Publishingnews, <http://www.publishingnews.co.uk>

Booksellers, <http://www.booksellers.org.uk>

Publishersweekly, <http://www.publishersweekly.com>

(II) Mass Merchandisers (Super Bookstores)

In addition to book clubs, mass merchandisers (super bookstores) have also become a major kind of book outlet.

Before establishment of Kingstone Books in 1983, most of Taiwan's book outlets were traditional family-run kiosks, and book & stationery shops. The setting up of Kingstone was a milestone in the way books were marketed in Taiwan, as outlets became larger and more professional. Establishment of Eslite Books' DunNan branch in Taipei in 1989, set up new standards of quality, with new emphasis on the purchasing environment and literary activities creating a unique operating style. Some mid-sized stores such as Senseio, Hess, Caves, and Nobel, were also started during this period. A third developmental period, known as "multiple operating period," saw mass merchandisers taking advantage. These included the new opening of Eslite's DunNan Store in 1996, Fnac's Taipei Store, and PageOne from Singapore, which will start

business in the Taipei 101 mall. In china mainland, there are more than 14 mass merchandisers (defined by a floor area of more than 10,000 square feet), which can be ten or even one hundred times larger than the earlier stores. Despite their larger size, the operating modes of these super bookshops is similar to those of the 2nd period stores mentioned above (see Chart II-4). Most are concentrated in the flourishing big cities.

Compared to the mid-sized bookstores, these mass merchandisers have a radiation effect. This means that they provide readers with a much more complete choice, meaning that people do not need to go from store to store to find a particular book. These book mass merchandisers in China and Taiwan are relatively new, however, and, compared with the USA, Europe and Japan, have only reached a "quantity" stage, and will require more time to perform equivalently in terms of "quality."

Chart II-4 Mass Merchandisers in China

No.	Name	Space (x10,000 Square Feet)	Book Titles (x10,000)	Establishment Date	Turnover in 2001 (RMB million)
01	Chongqing Lingjiangmen Modern	2.4	14	2002/1	Nil
02	Tianjing Mall	2	18	2002/9	Nil
03	Guangzhou Center	1.8	14.5	1994/11	223
04	Beijing Mall	1.6	23	1998/5	260
05	Shenzhen Mall	1.3	14.9	1996/11	Nil
06	Changchun Mall	1.2	15	2002/8	Nil
07	Dongguan Yongzhen Center	1.2	10	2002/8	Nil
08	North Mall	1.1	15	1995/7	110
09	Chongqing Shaping Modern	1.05	10	2002/9	Nil
10	Beijing Wangfujin Xinhua	1	21.7	2002/9	Nil
11	Shanghai Mall	1	20	1998/12	214
12	Zhenjiang Mall	1	17	2001/9	Nil
13	Changchun United Mall	1	16.8	1990/2	150
14	Xian Mall	1	13	2000/9	64

Sources : China Book; 2002/10/11

(III) Specialist Stores and Community Stores

It has been shown that an increase in the number of mass merchandisers leads to an increase in threat facing small bookshops. This is only true, however, for general and not specialist stores. Actually, some small specialist bookstores gained from the situation, if located near the commercial centers where mass merchandisers were concentrated. This has shown to be the case for "community" stores such as those specializing in gay, religious, comic and e-book materials. These types of stores are able to maintain a share of large markets with their bigger relatives.

Similarly, academically-orientated stores such as the 10th Universal Bookstore in Wunan Culture Square (located in the Jiadong subsection of Yun Lin Transworld Institute of Technology), or the Tangshan Bookstore (located in Fo Guang University) provide convenience for students and teachers, and aim to develop community bookstores.

Small publishing companies can also cooperate with specialist bookshops to set up alliances. Examples include the Fembooks, Yu San Publisher, Soul Bookshop, Intelligence Industry, and Gao Tan (located on Chongqing S. Rd, Taipei's book district), which have called for a "publishing alliance." They may also enter shopping malls as a new outlet, which might offer an alternative role and relieve the threat from mass merchandisers.

Two. Internet Sales

Another revolution in book sales started in 1995, with establishment of the Amazon Internet bookstore. Its advantages include ease of inquiry, wide choice range, speed, infinite display area,

no closing time, and long-distance sales. Many brick-and-mortar bookstores have been hurt by this latest revolution, losing large sections of their markets to Internet bookshops. "Easy come; easy go," however, and many virtual bookstores have disappeared too. Those surviving are the more mature ones such as www.books.com.tw and www.book4u.com.tw

In addition to purely Internet stores, some publishers have set up their own online sales. These include www.readingtimes.com.tw, www.bookzone.com.tw, www.ylib.com, www.cite.com.tw, www.wisdombooks.com.tw, www.booklife.com.tw.

Bookshops operating Internet sales are a third type. These include www.eslitebooks.com, www.kingstone.com.tw, www.senseio.com.tw, www.sanmin.com.tw.

The last two types of Internet bookshops are dissimilar as they also have brick-and-mortar operations.

With the rapid development of e-business, these three types of online book outlets have performed better than their brick-and-mortar equivalents. www.books.com.tw, for example, will finally move into the black this year after several years operating at a loss. Kingstone and Eslite both have good sales records. According to the Market Intelligence Center, 8,590,000 people in Taiwan surfed the Internet in 2002 (see Chart II-5), which represents 38 percent of the population. Moreover, 53 percent of families browsed Internet websites, up 14 percent from the year before, or a growth rate of 36 percent. 20 percent of people interviewed claimed to have bought products

and services on the Internet. 8.1 percent of these purchases were books and magazines, followed by software (4%) and 3C products (3.9%) (see Chart II-6). Furthermore, these people indicated that they spent an average of NT\$2,207 per month on online shopping. This suggests that Internet bookstores may represent one way out of the economic gloom for book dealers.

Publishing companies have also entered the distribution market. Lianjing, Yuanliu, Hess, San Min, and Donghua are five such publishers that also had sales outlets in the past. In 2002, Linyu established a new store in Tianjing Rd., Taichung, while CITE established its second store in Yingsai R&D. Tzu Chi and New Stage cooperated to establish the Jingsi Bookstore. These examples suggest that these new initiatives from publishing companies may become an important factor.

Chart II-5 Internet users in Taiwan

Year	Population (10,000')	Year	Population (10,000)
1996	60	2000	626
1997	166	2001	782
1998	301	2002	859
1999	480	2003	877 ⁶

Sources : Market Intelligence Center,
http://www.find.org.tw/0105/howmany/usage_1.asp

Chart II-6 Products and services purchased online

Item	Percentage	Item	Percentage
Books and Magazines	8.1%	Fashion Products	1.5%
Software and network space	4.0%	Mobile telecom	1.5%
3C Products	3.9%	Finance	0.8%
Cosmetics	2.6%	Games	0.8%
Leisure	1.9%	e- newspaper	0.4%
Daily Life	1.8%		

Note : 1. ECRC-FIND °

2. Subject may choose 2 or more categories, so the total figure may not be 100%

Three. Alliances between industries – an unstoppable trend

The most significant achievement of e-commerce has been the alliance of different industries. Many publishers thought that book distribution would keep up with this trend, in which companies from different sectors cooperate and share resources. This kind of operation has been common overseas. Examples include the Bertelsmann Club, Pearson of the UK, America, PEARSON from the UK, America onLine, and PPR from France.

In June, 1999, Fnac of the PPR group established its first Asian branch in Taipei, positioned itself in the “High quality bookshop + Electronics + Guanhua Mall + CD + Coffee Shop” mode, offer a commodious reading place full of artistic atmosphere and shopping mall without pressure meanwhile. Customers could sit comfortably on sofas like they might in libraries, use earphones to enjoy music and, when feeling tired, go to the nearby Fnac Café which is infused by the the atmosphere of wonderful coffee and excellent books.

⁶ The statistic of Internet user is up to Sept. 2003

It was not only Fnac that offered this kind of services. Other including senseio, Kingstone, and Eslite acted similarly, providing customers with a combination of restaurant, bar, library, classroom and stage. They also formed alliances with companies in other industries. Kingstone, for example, issued a united card for use in bookshops and cultural businesses to strengthen cooperation between publishing companies and companies in other depressed cultural areas. Internet stores should also not be overlooked. In 2000, www.books.com.tw, which had been established in 1995, cooperated with the 7-11 convenience stores to allow customers to buy books on the Internet and collect them in their local stores. In December of the same year, the President Chain Store Corporation invested NT\$100 million, which was symbolic of the birth of such cross-sector alliances.

Four: The Complete Advantage of Bestsellers

At 8am on June 21, 2003, a huge poster for *The Order of the Phoenix*, the fifth installment of the Harry Potter series, was displayed in the Beijing Wangfujin Book Mall. It attracted great attention, and the twenty limited books sold out by 9am. This was the first time in China that a book went on sale simultaneously in different places, just as happens in other countries. Within a few days, 5,000 books had been sold in Shanghai, Hangzhou, Nanjing, Suzhou, Wuhan, Dalian, Guangzhou, and Fuzhou.

In the meantime, chain bookshops such as Eslite, Kingstone and online sites such as www.books.com.tw had pre-sold *The Order of the Phoenix* on the Internet before the global release

day. At midnight the day before the book was released, Eslite held an activity at its Dunhua branch, to which Harry Potter fans from around Taiwan came and joined in a countdown to welcome the dreamlike world created by J.K. Rowling.

The Order of the Phoenix sold 13 million English-language copies when it was released simultaneously around the world. To date, the five books in the Harry Potter series have been translated into 55 languages, with sales totaling around 200 million. This is a hitherto unachievable goal, showing the great advantages to be had from bestsellers.

Publication of bestseller ranking lists by Kingstone has also directly affected the book market. The rapid development of the Internet has also had a detrimental effect on cultural industries. There were no such bestsellers as Harry Potter or *Lord of the Ring* in 2002, which resulted in a dead season for the Taiwan publishing industry. Also, frankly speaking, there have been many small publishers in Taiwan who simply copied the content of bestsellers, masking the effect. In China, on the other hand, bestsellers represent 68 percent of total book sales. This means that in a season when no new bestsellers appear, the whole market remains depressed. Integration of the Chinese-language publishing industries of China, Taiwan, and Hong Kong and Macao seemed desirable. This could lead to revolution of China's market of 1.3 billion people hooked on bestsellers.

Five: Low Price Strategy Still Hot

The two main purposes behind the low price strategy were to get readers' attention and to stimulate the market. In 1996, *PC Home* went on sale at a low price of NT\$49 and inclusion of a gift. As other publishers followed suit, the market ended in chaos. Prices such as like NT\$49, NT\$38, and even NT\$1 (on the first day of issue) were common in the Taiwan market. The situation subsequently recovered and prices increased. The assault Taipei by Typhoon Nari on Sep. 17, 2001 brought more problems to Taiwan's publishing companies, as bookstores were flooded and books ruined. Publishing companies were only willing to pay 20 percent on such returned books, so bookshop owners decided to sell damaged books at a unified price of NT\$69. It was expected that the turnover of books would not reach NT\$3 million. This was the birth of the NT\$69 bookstores, which only sell old inventory books rather than new books and bestsellers.

These NT\$69 bookstores created a new niche in the depressed market, with other outlets wishing to follow its operating style, but unable to reduce their prices to the same degree. Instead, they organized a range of promotional events including bargains, themed-book exhibitions and discount stores to sell unknown books and reduce return rates. Kingstone established a Bestsellers Center in south-central Taiwan, with a lowest price of NT\$29, and held a joint book exhibition with the China Times, Sitak, and Eslite. Meanwhile, Fnac offered its customers a 15 percent discount, setting a new low mark for Taiwan's chain bookstores.

Publishing company depression was a

widespread problem. After China and Taiwan joined the WTO, the low price strategy spread to mainland China, with Taiwan bookshops in Xiamen and Hong Kong selling books for RMB19 and 29. Two kinds of bookstores in the UK sell inventory books. One is general bookshops, which sell mainly public books, cookbooks and illustrated children's materials. The other is specialized bookstores, which sell mainly professional books. As Bell Books in the UK explains, "Everybody likes a discount." This is true since low prices seem to catch the market attention irrespective of time or place.

Section One: Comprehensive Analysis

One: Analysis of basic data of the book publishing industry

(I) Book publishers

⇒ Most of Taiwan's publishers are small and medium-sized businesses, with high levels of individual investment (81.97%) and low capitalization (62.27% below NT\$5 million); most are located in Taipei (60.93%).

Book market research for 2002 indicated that Taipei boasts most of Taiwan's publishers (60.93%), a situation that is comparable with overseas markets. Over 40% of mainland China's 568 publication houses are situated in Beijing (2002), while in Europe and North America, London, New York, and Frankfurt all boast a majority of publication houses.

According to this current research (2002), most of Taiwan's publishers are small, with 62.27 percent having registered capital below NT\$ 5 million (59.39% in 2000). Most of this investment is individual (81.97%), with another 12.02 percent coming from corporate investment.

(II) Retail channels

⇒ Over 42 percent of bookstores are located in northern Taiwan.

Regarding the geographic location of bookstores in Taiwan, most are located in the north, especially in population-intensive and well-developed metropolitan areas. Research for 2002 indicated that about 42.30 percent of

single-outlet stores and 85.71 percent of chain stores are located in northern regions; with about 47.43 percent of branches also located in the north. Taipei boasts the highest numbers of both single-outlet stores (18.68%) and chain store branches (23.53%) in Taiwan.

⇒ Substantial differences in the legal basis of independent and chain bookstores.

Based on their legal structures and capitalization, about 80.54 percent of single-outlet bookstores are of sole proprietary, with 84.41 percent having registered capital below NT\$1 million. Only 6.87 percent are limited share companies, compared with 61.9 percent of chain bookstores. 57.14 percent of the latter have registered capital over NT\$5.01 million, while only 9.52 percent are sole proprietary.

Two: Sideline business status of the publishing industry

(I) Publishing industry

⇒ The proportion of the publication houses without marketing operations has fallen to 29.22 percent in 2002 (from 49.72% in 2000).

29.22 percent of the publishers interviewed have no operations in marketing, a considerable decline in comparison with 71.0 percent in 1999, and 49.72 percent in 2000. An explanation may lie in the dissatisfaction that publishers feel toward distributors' handling of their books, as well as the prevailing trend in the publishing industry toward establishing their own logistic centers and marketing directly to chain bookstores.

(II) Book marketing channels

⇒ **About 24 percent of chain bookstores run online bookstores**

Both single-outlet and chain bookstores think that online bookstores offer easier searching, time-savings, and are location-free. Moreover, consumers can order books from either their home or office. 84.51 percent of independent bookstores expressed no plans to establish online bookstores, however, which might be related to their small size, limited labor resources, and high hardware expenses. As for chain bookstores, 23.81 percent run online bookstores, and 60 percent believe that online bookstores possess more popular titles and more complete book catalogues.

⇒ **87.50 percent of chain bookstores have sideline operations as publishers, while 74.11 percent of independent bookstores have sideline operations as distributors and agents.**

As for sideline operations in mid- and upstream industries, only 10.84 percent of single-outlet bookstores have such operations, and most (74.11%) are as distributors and agents. 38.10 percent of chain bookstores have sideline operation in mid- and upstream industries, most (87.50%) are as publication houses.

Three: Analysis of the human resource structure of the publishing industry

(I) Publishing industry

⇒ **Most (69.58%) publication houses employ 10 or less full-time staff; 59.41 percent of staff are female, 44.23 percent possess a university diploma, 28.59 percent graduated from literature departments, and 19.96 percent of staff work in editing departments.**

In Taiwan's publishing industry, 69.58 percent of publishers employ less than 10 full-time staff (a significant change compared to 55.08% in 2000). This might be attributed to effects of the economic depression over recent years and the downsizing of labor forces to lower fixed costs.

As for the composition of publishing companies, 59 percent of employees are female and 41 percent male. 44.23 percent of staff members hold a university diploma, 10.24 percent of these from graduate school. Those with only middle school or lower education account for 0.13 percent. Of the university graduates, 28.59 percent studied literature, 17.35 percent went to business school, and 8.22 percent to management school. 19.96 percent of staff work as editors, 17.08 percent are administration executives, while other jobs usually account for less than 10 percent. This indicates that the editing department is still the core of a publishing house.

(II) Retail channels

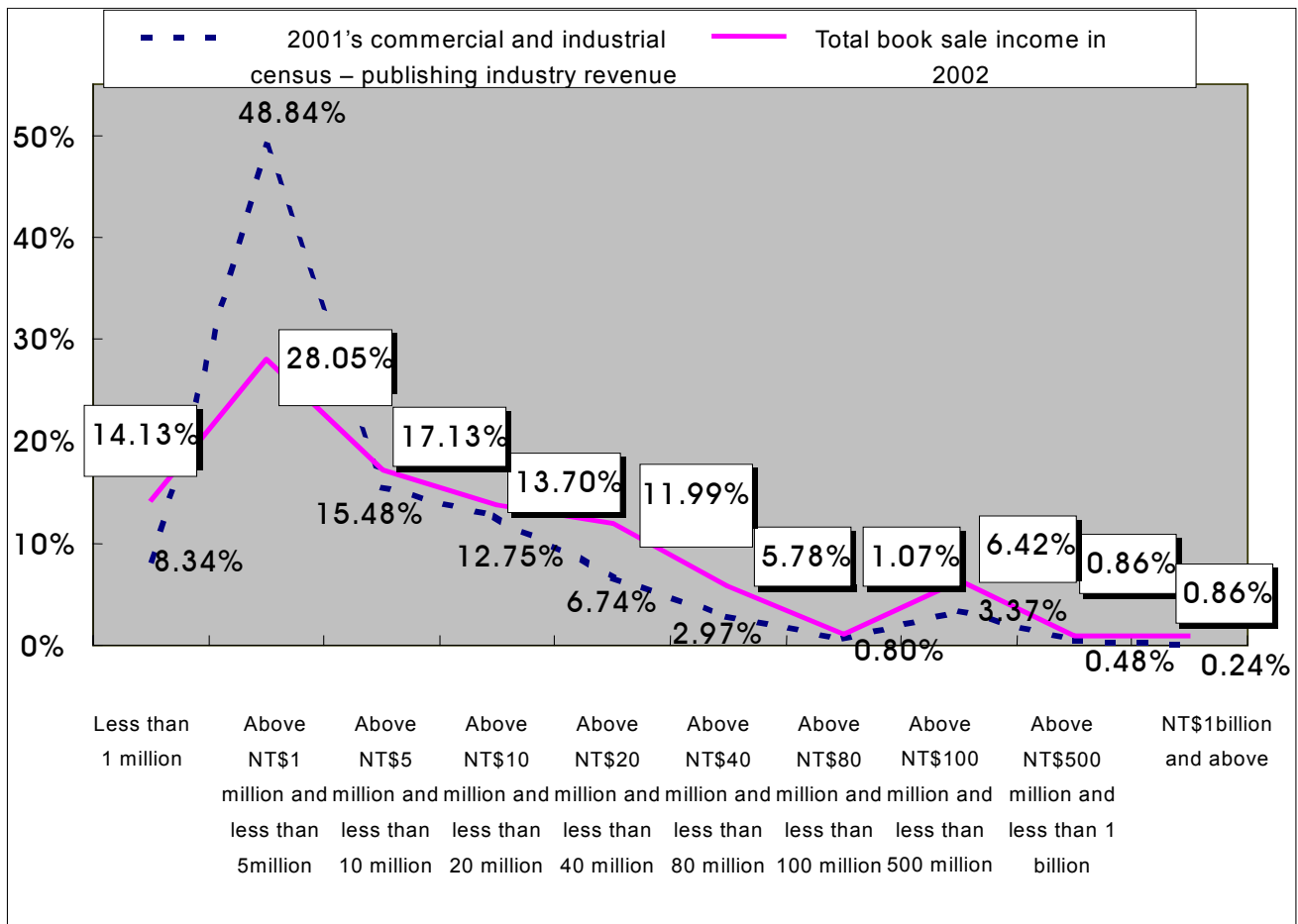
⇒ Over 60 percent of bookstore staff are female (2% less than in 2000). The educational background of staff in chain bookstores is slightly higher than that of staff in single-outlet bookstores. The most popular (over 87%) recruit training method is on-site guidance, followed by special guidance (over 31%). 49 percent of independent bookstores and 19 percent of chain bookstores have irregular training courses for their staff.

As for the staff composition of retail channels, 69.19 percent of bookstore staff are female, and

31.35 percent male. Single-outlet stores are small, with an average of three members of staff (down two since 2000 due to downsizing during the economic slump), while chain stores average 69 members of staff.

51.43 percent of employees in independent stores graduated from high school or vocational school, while 54.51 percent of staff in chain bookstores are junior college graduates. 48.79 percent of single-outlet stores and 19.05 percent of chain bookstores don't have regular personnel training.

chart III-1 Publishing Industry Revenue



Four: Sales analysis of the publishing industry

(I) Publication and sales analysis of Taiwan's publishing industry

⇒ Estimated production value of the publishing industry in 2002 was NT\$43.023 billion (up 1.48% from NT\$42.395 billion in 2000). 42.94 percent of publication houses report revenue below NT\$5 million, with an average revenue of NT\$40.6667 million (up 17.78% from NT\$34.529 million in 2000).

Revenue of those publication houses interviewed for the current research showed average revenues of NT\$40.6667 million (up from NT\$34.529 million in 2000). Over 60 percent of publishers (in both surveys) indicated revenue below NT\$ 20 million. This is similar to the data on the publishing industry published in *Preliminary Statistics on 2001's Commercial and Industrial Census*, which found a primary revenue range of between NT\$ 1 million and NT\$ 5 million. (see chart III-1)

Following the methods used to estimate total book sales in 2002, the publishing industry total sales are valued at NT\$43.023 billion (up 1.48% from NT\$42.395 billion in 2000).

⇒ **Estimated production value of the book publishing industry in 2002 is between NT\$53.308 billion and NT\$64.894 billion.**

Based on book sales value for the whole industry, sales proportions, discount rates, sales volume, and discount rates available to consumers through various channels, it is calculated that the top and bottom lines for production value are NT\$64.894 billion and NT\$53.308 billion (for details of the formula used in calculation refer to chapter VII above).

4. Sales volumes for each book category

(1) Total market

⇒ Comic books had the most publishing titles (2,977), while textbooks accounted for 23.54 percent of total sales volume and 22.12 percent of real sales value. For sales volumes for each category, leisure & travel books (21,478) and textbooks (17,438) rank top.

Sales in 2002 totaled 94,662,846 volumes, representing an average of 4,259 for each title. Sales of republished editions totaled 15,677,233, i.e. an average of 1,492 per title, representing an average republishing rate of 47.26 percent. With 2977 titles, comic books was the largest first edition category in 2002, followed by children's books (2,467), and then novels (2,199). In terms of total sales volume, top were textbooks (23.54%), examination books (22.89%), and comic books (12.55%). From this it can be seen that practical application is still the major motive for Taiwanese people when buying books.

Leisure & travel books (21,478), textbooks (17,438), and examination books (11,459) were top in terms of average sales volume. In terms of real sales value, textbooks (22.12%), children's books (15.12%) and examination books (12.89%) were highest.

According to these research findings, leisure & travel books (21,487), and textbooks are the best selling categories in terms of sales volume. Children's books reported the highest average sales volume (3,847) for any category of republished books, though philosophy books had the highest republishing rate (140.74%).

In terms of language, for the 503 publishing companies interviewed for this survey (2002), most

common is Chinese, followed by English and Japanese, and other languages are all less than 10%.

(2) Textbooks and examination books

⇒ High school textbooks were the highest selling sector of textbooks (18.27%), with the 1996 version of the grade 6 textbook Knowledge and Artist[™] reporting the highest sales (98,734) in all textbooks category. University and high school examination books (11.77%) reported the highest sales value in examination books, while the middle school grade 3 book (75,197) ranked first for sales volume.

Five-year college books (170) for junior college education, and vocational school books (121) are the best selling categories of textbooks in 2002. In terms of actual sales value, high school textbooks (18.27%) and vocational textbooks (12.21%) ranked highest. For sales volumes in each category, the 1996 version of the grade 6 textbook Knowledge and Artist (98,734), the grades 1~5 textbooks (93,241), and grades 7~8 textbooks (71,200) ranked highest within the nine-year compulsory education system, while vocational textbooks reported the highest republishing rate (377.69%).

The top selling kind of books in 2002 are college entrance examination books (323), university textbooks (304), and national examination books (277). In terms of actual sales value, high school textbooks (11.77%) and university examination books ranked highest. As for the sales volume of each title, the middle school grade 3 book (75,197), 1996 version of the grade 6 textbook Knowledge and Artist (62,260), and grades 1~5 textbooks (53,327) in the 2001 version ranked highest within the nine-year compulsory

education system, while vocational textbooks reported the highest republishing rate (787.50%).

(3) Children's books

⇒ Illustrated books have the highest sales (32.51%) among all children's books, with illustrated handbooks and encyclopedias (6,333) having the best sales volumes.

In terms of sales volume for children's books in 2002, illustrated books (825 titles), children's literature and storybooks (675 titles) and children's combined-style books (573 titles) were top. In actual sales value, picture books (32.51%), children's combined-style books (28.59%), children's illustrated handbooks, and encyclopedias (20.84%) ranked top. For average sales volume, children's illustrated handbooks and encyclopedias (6,333), children's literature and storybooks (4,128), and illustrated books (2,938) ranked highest. The top in republished children's book categories was illustrated books (38.42%).

(II) Sales analysis of book retail channels

1. Sales of foreign language books

⇒ Chain bookstores are more willing (31.58%) to sell academic books from China (PRC) than are single-outlet bookstores (14.49%), primarily because of the latter's fear that the market size will not be matched by economic benefits.

3.78 percent of independent bookstores and 9.52 percent of chain bookstores currently sell books from the PRC, which both represent very small market shares. Among those that do not sell books from China, 31.58 percent of chain bookstores and 14.49 percent of independent bookstores indicated a willingness to sell such books after the ban on importing PRC academic books is lifted.

Most of those that expressed no such intention assumed a wait-and-see attitude. For foreign-language books, on the other hand, bookstores are more willing and aggressive in their sales.

2. Sales in book retailing

⇒ **77 percent of independent bookstores and 57 percent of chain bookstores indicated a decline in revenue, while the ratio of book returns exceeded 30 percent. Cash and credit card sales were both higher in chain bookstores.**

Seventy-seven percent of single-outlet bookstores and 57 percent of chain bookstores indicated a decline in revenue, averaging around 20 percent. The major reason for this is the ongoing economic depression and the migration of industry and human resources. Those independent bookstores indicating an increase in revenue included composite stores (12.31%), computer specialist stores (19.23%) and those located near stations (27.59%). For chain bookstores, composite stores (16.67%) and those located near stations (14.29%) were the main ones to report an increase in revenue.

Research data for the 2002 book market indicated the book return ratio at single-outlet bookstores had set a new record of 37.97 percent, while that at chain bookstores declined to 30.25 percent. This latter is perhaps attributable to good sales and a solid inventory management system.

In terms of sales value per visit, 40.17 percent spend less than NT\$100 in single-outlet bookstores, of which most is in cash due to the small sums involved. In chain bookstores, however, the

majority of purchases (33.33%) fall in the NT\$301~500 range, and 71.43 percent are paid for by credit card.

⇒ **The peak service time in bookstores is from 4pm to 8pm on workdays and from 2pm to 8pm on holidays.**

Bookstores with brick-and-mortar retail premises (which includes both single-outlet and chain stores) have better sales after 4pm on workdays, in particular between 4pm and 8pm. Chain bookstores also have a peak sales-time around midday, which is related to their location in commercial districts. The best sales-time on holidays is between 2pm and 8pm.

Five. Analysis of retail channels of the book publishing industry

(I) General industry

⇒ **Among publishing houses that have book retail businesses, those using mail-order (35.35%) and distributor sales (76.96%) are most common.**

Among all publishers that handle retail book sales, mail-order is the most common sales method due to its easy catalog delivery and book data editing. 51.13 percent of publishing houses have mail sales channels, 43.22 percent use agents or distributors, 37.57 percent have brick-and-mortar bookshops. Moreover, since some of the books listed on the Internet have no on-line payment system, efficiency can be the same as that of mail order.

Compared with the self-owned retail channels, in consignment the highest used channel is through dealers (76.96%). Moreover, the mail order is declined from number one (55.35%) in self-owned channels to number fifth (8.06%) in consignment, which is even behind the Internet bookstores (8.99%). School channel is also declined from number third (37.00%) in self-owned channels to number sixth (6.22%) in consignment.

The main reason for the difference in the mail-order proportions of self-owned and consigned sales channels is that the latter focus on distributors. The use of mail-order channels is not for the beauty of the catalogue but for the effectiveness of the name list in increasing sales.

For schools, self-sales business accounts for 37.00 percent, which compares with consigned sales through school channels of only 6.22 percent. Those publishers focusing on school sales mainly use self-owned sales due to the stable nature of the customer group.

(II) Textbooks and examination books

⇒ Sixty-four percent of the revenue of textbook publishers comes through self-owned school retail channels; 54 percent of the revenue of examination book publishers comes through distributors.

Sales of textbooks through self-owned sales channels account for 73.04 percent of the total revenue. Among these, school sales channels are the highest (72.58%, representing 64.60% of total sales). The same figure for examination books accounts for only 17.08 percent of total sales, while most is through agencies (82.94%) and most of that through distributors (54.21%).

In terms of consigned sales channels, although both textbook and examination book publishing houses place emphasis on the use of distributors, nevertheless, the sales proportion of examination book companies is over 50 percent.

(III) Discounts in all sales channels

⇒ The average discount across sales channels is 30 percent; with 46.68 percent of sales, the Greater Taipei Area is the most important market for the publishing industry.

A 30 percent discount is the most standard. Consigned sales channels, especially for

distributors, are more favorable than self-owned sales channels. Owing to the high discount rates for libraries, local companies expect suitable discounts from local governments when procuring library books. As for the market division of the book sales business, sales in the Greater Taipei Area are highest, accounting for 46.68 percent of total revenue.

Six. The book transaction and copyright business

(I) Book transaction

1. Book imports

⇒ Fourteen percent of local publishing houses conducted import business in 2002. Their main source was the USA (53.52%). The average price of imported Chinese-language books was NT\$262.9, that of other languages was NT\$402.5.

14.12 percent of survey respondents reported importing books, with an average quantity of 16,133.5 for Chinese-language books, average import capital of NT\$4,242,200, and average unit price of NT\$262.9. The average imported volume of foreign-language books was 63,362.4, requiring an average import capital of NT\$25,5031 million, for an average unit price of NT\$402.5.

Most of this business is with the USA (53.52%), followed by Hong Kong and Macao (30.99%), and the UK (29.58%).

Imported foreign-language books thus outnumber Chinese-language books by 3:1 in volume, and 5:1 in terms of capital.

2. Book exports

⇒ **Thirty percent of local companies conducted export business in 2002. The major export area is Hong Kong and Macao (83.44%). The unit price of Chinese-language books is NT\$ 200.6 and that of foreign-language books is NT\$ 882.2; the average export capital is over NT\$7 million.**

Among the 503 respondents, only 30.02% reported conducting export business in 2002, with an average quantity for Chinese-language books of 4,331.4, average export capital of NT\$8.778 million, and average unit price is NT\$ 200.6. The average export volume for foreign-language books was 8,237.5, with average export capital of NT\$7.267 million, and average unit price of NT\$882.2. The largest export area is Hong Kong and Macao (83.44%), followed by Singapore (44.37%), and the USA (36.42%). Most export areas are Chinese-speaking countries; the USA figured highly because of the many overseas Chinese there.

(II) Copyright business

⇒ **Thirty-five percent of local publishing houses purchased copyrights; the major source countries are the USA (55.37%) and Japan (40.68%). Seventeen percent of companies sold copyrights, mostly in the PRC (85.88%).**

In 2002, 35.19% of local publishers purchased copyrights, with an average volume of 21.43, and average procurement capital of NT\$2.079 million. 16.9 percent of publishers interviewed sold copyrights, with an average volume is 7.51 and average sales of NT\$1,934,580. The USA was the main source country (55.37%), followed by Japan (40.68%), the PRC (30.51%), and the UK (27.68%). Actually, Europe (which for this survey did not

originally include France and Germany) would have come third if considered as a whole (34.92%).

For export of copyrights, the PRC was the largest market (85.88%), followed by Hong Kong, Macao and Korea (12.94%).

Seven. Space, layout, and planning of sales channels

(I) Layout planning

⇒ **The average operating area of chain bookstores is larger than that of single-outlet stores, with more than 90 percent of the former being rented. Shops occupying two stories are most common (48.95%)**

The survey found that the operating area of chain bookstores is larger than that of independent bookstores. Concerning the operating areas of chain bookstores, the percentage of 1~30 ping and 101~150 ping are the highest, both are 42.86%; on accounting the number of the affiliated bookstores, the highest percentage, 26.47 percent own 101~150 ping. Most single-outlet bookstores (62.63%) occupy an area of 1~30 ping. Due to their large operating space, 91.54 percent of chain bookstores are rented. Single-outlet stores, on the other hand, with their much smaller floor space, have a higher proportion of self-ownership (48.11%), with 51.79 percent rented.

In terms of layout, single-outlet stores are limited by scale and their main products are books, gifts and stationery. Most (86.83%) have just a single story, while most area is given over to shelving (96.90%). Due to their more diversified operations, chain bookstores always undertake sales

promotion in conjunction with publishing houses, so the percentage with one story is highest (85.71%). For branches, those with two stories are most numerous (48.95%). In addition to shelving (100.00%), they have sizeable areas given to new books (85.71%), book display (80.95%) and magazines (76.19%), making them quite different from single-outlet stores.

(II) Shop types

⇒ **The most common operating type of both independent and chain bookshops is “general” (70.57%), followed by Complex bookstores. Independent outlets tend to be found in mixed or commercial districts, chain bookstores in education or commercial districts.**

The survey found that the operations of chain bookstores are more diversified than those of single-outlet stores. Chain stores' sales policy focuses on service for a variety of customers. For both kinds of stores, “general” bookstores are most common (70.57%), followed by Complex bookstores.

In terms of location, most single-outlet bookstores are found in mixed (32.33%) or commercial (25.56%) districts, while most chain stores are established in education (47.62%) or commercial (47.62%) districts, with the number of branches actually higher in education districts (25.37%).

(III) Display of goods

⇒ **The revenue of brick-and-mortar bookshops is mainly from book sales (49.12%); with shelf area being the main feature of store planning (95.16%)**

In terms of revenue, for single-outlet stores book sales are most important (49.12%), followed by

stationary & gifts (36.51%), and magazines (6.89%). Layout of different commodities focuses on bookshelf (95.16%; shelf/floor area), stationery & gifts (63.60%), and magazines (57.89%). For chain bookstores, book sales account for 62.57 percent of total income.

⇒ **Independent bookstores best commodity is examination books (16.94%), those of chain bookstore are comic books (14.65%) and medical & home economics books (9.06%).**

The highest proportion of display area in single-outlet bookstores is given to examination books (16.94% up from 9.90% in 2000). In chain stores it was literary books (8.60%) in 2000 and now comic books (14.65%) in 2002. This latter figure might be due to the two chain bookstores interviewed that sell predominantly comic books.

⇒ **Chain bookstores have relatively more stock area single-outlet stores. The replacement of new books is mainly done on the basis of book volumes (66.67%) whereas that of independent stores is usually decided by their own discretion (31.75%).**

Display of books usually totals 12,000 volumes for independent stores and 30,000 for chain stores. Regarding the selection of new books, in 2000 it was found that 63.32 percent made such decisions on the basis of experience. In 2002, on the other hand, while 31.75 percent of independent stores used their own judgment, 66.67 percent of chain bookstores focused on new book quotas.

Only 37.27% of bookstores had storage space in 2000, whereas, the 2002 survey found that 27.3 percent of single bookstores and 57.14 percent of chain bookstores have storage areas.

Eight. Computerization in the book retail industry

⇒ **Seventy-one percent of chain bookstores use PCs in management compared with only 30 percent of independent stores who do not have the same need.**

Due to their limited capitalization, only 30.01 percent of single-outlet bookstores have introduced PC management, compared with 71.43 percent of chain bookstores. Moreover, when asked what improvements they would like from PC management, independent bookstores said that information system functions were insufficient (18.06%), while chain bookstores identified incomplete databanks (26.67%). Regarding the reason for not introducing PC management, however, 73.69 percent of single-outlet stores and 50 percent of chain stores said that they had no use or demand for it. 33.33 percent of chain bookstores said the price of software was too high.

Nine. Future investment in the book retail industry

⇒ **Brick-and-mortar bookshop operations will diversify; the low ratio of overseas operators means that bookshops will still be the main area, with major investment focused on the PRC and Hong Kong.**

Regarding developments over the coming two or three years, both single bookstores (12.2%) and chain bookstores (52.38%) look to diversify their operations. Both have limited overseas operations (1.06% and 9.52% respectively), so focus their activities on bookstores. Nevertheless, 100% of chain bookshops and 81.82% of single-outlet stores have overseas investments, mainly in the

PRC and Japan.

Due to the depressed market and limited scope of the industry, competitiveness is poor and brick-and-mortar book retailers have little interest in overseas investment (1.26% and 19.05% respectively). The main countries invested in include the PRC (53.85%), USA (23.08%) and Hong Kong (15.38%) for single-outlet stores; and the PRC (75.00%) and Hong Kong (50.00%) for chain stores, showing the importance of the PRC market.

Ten. The book publishing industry abroad

(I) People's Republic of China

⇒ **All the PRC publishers are state owned, handle distribution and publishing, and are generally larger than those of Taiwan.**

Regional distribution and book categories in the PRC are similar to those of Taiwan, with differences merely of scale. Moreover, while Taiwan's publishers are privately owned, those of the PRC are state owned, and handle distribution as well as publishing. The main reason for differences are political, therefore, giving rise to differences of capitalization, size, and the development of publishing groups. After China's markets open, the affects on Taiwan as well as the PRC will become clear.

(II) Hong Kong

⇒ **Declining purchasing rates have led to examination books becoming the most competitive market.**

Due to the overall depressed economic environment, Hong Kong's private purchasing rates have fallen. As a result, local publishers have focused on developing the school market. This is

similar to the situation in Taiwan in 2002.

(III) Japan

⇒ **A loss of reading population is a phenomenon shared by both the Taiwanese and Japanese publishing industries.**

Sales for the Japanese publishing industry have fallen by 2-3 percent per year since 1997, mainly because of a decline in popular books, the overall economic recession, a declining interest in books in general, a reduction in the total population, and an increase in the proportion of elderly people. Furthermore, changes in life style and technological developments such as the Internet and mobile phones have led to a loss of reading population. As a result, just as in Taiwan, there has been a trend toward part-time staff in the Japanese publishing industry.

Section Two. SWOT analysis

I. SWOT analysis table of Taiwan's book publishing industry

Interior		Exterior	
Strengths	Weaknesses	Strengths	Weaknesses
<ul style="list-style-type: none"> ▶ Publishing industry is more advanced than that of the PRC ▶ Professional management concepts are better than those of the PRC. ▶ Publication is more advanced than in the PRC ▶ Good protection of copyright ▶ Diversification of book types ▶ Improved educational levels lead to more potential readers 	<ul style="list-style-type: none"> ▶ General economic depression affects the publishing industry ▶ Social environment affects the reading population ▶ Changing reading tastes ▶ Publishing costs are higher than in the PRC ▶ Fierce competition ▶ Fewer writers ▶ Development of book rental shops and libraries ▶ Lack of comprehensive education in publishing ▶ Publishing planning difficult due to unclear education policies ▶ Small family enterprises make attracting foreign investment difficult 	<ul style="list-style-type: none"> ▶ Mature free market regulations ▶ Regarding PRC market, Taiwan's culture and language similarity give advantage over Europe and USA ▶ Advanced in Chinese-language publishing market ▶ Competitive ability in PC technical network applications ▶ Profitable alliances of same/cross-industries ▶ Integration of publishing and sales resources ▶ High quality and low price of publications 	<ul style="list-style-type: none"> ▶ Tense political relationship across the Taiwan Strait and uncertainties in the PRC make long-term planning difficult ▶ Insufficient capital ▶ Limited use of traditional Chinese script ▶ Taiwan's advantages threatened by the PRC ▶ Threat to Taiwan's companies from PRC publishing industry ▶ Poor English ability ▶ Poor global sales ability ▶ Cultural supremacy is difficult to break ▶ Publishing professionals insufficient ▶ Insufficient information ▶ Shrinking global reading market

II、SWOT Analysis of Book Retail Channels

Interior		Exterior	
Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> ▶ Full range and adequate choice ▶ Good communication with customers (brick-and-mortar bookshops) ▶ Diverse functions, customers can enjoy reading (brick-and-mortar bookshops) ▶ Diversity of sales channels 	<ul style="list-style-type: none"> ▶ Diversified sales channels suppress the development of single-outlet stores ▶ Inadequate capital; management needs improving (single-outlet stores) ▶ Inadequate human resources ▶ Similar risks of bankruptcy as publishers and middlemen ▶ Loss of reading population ▶ Technology changing reading habits ▶ Changing lifestyles. ▶ Economic depression ▶ Neglect of copyrights ▶ Limited information (single-outlet stores) ▶ Books squeezed out by other products ▶ Poor operation of chain bookstores ▶ Low prices threaten market structure ▶ Too many new books; too quickly replaced ▶ Overlapping/copying of books; short product life circle ▶ Low profits (single-outlet stores) 	<ul style="list-style-type: none"> ▶ Alliance of diverse operations ▶ Shared information base (single-outlet stores) ▶ United purchasing and cost cutting (single-outlet stores) ▶ Collective logistical system. (single-outlet stores) ▶ E-commerce environment ▶ Cooperation with overseas companies 	<ul style="list-style-type: none"> ▶ Increase of Internet bookshops ▶ Shrinking global market means decreased demand ▶ Competition from overseas chain bookshops ▶ Low price and low profits ▶ Inadequate capitalization compared with China and overseas countries

Section Three: Analysis of Future Trends

One. Publishing Industry

(I) Direct communication by publishers with readers

At present, book retailing is mainly controlled by large bookshops. As return rates increase, most books, with the exception of bestsellers, become mired in a sea of publications. Publishers will need to find new ways to survive. Some have already established their own outlets such as the commercial press, linking publishing, SanMin Book and Cheng Chung Book. Companies not opening stores have looked to improve the quality of their products and services. These include Cite, elitebooks and Lin Yu. Cookbooks, for example, can sell well through food sales channels, as might children's books.

(II) Growth in market of textbooks and examination books

This survey found that textbooks and examination books were leaders in both sales volume and value. This is because of reforms in the education system, and, it is expected, that this trend will continue.

(III) Publication should be oriented to readers' needs

Publication is a mix of business and culture. With economic realities, publishers are moving to reader-oriented publications rather than being led by editors' prejudices. Many books are even created to match readers' tastes, with writers just adding information according to a formula. Such books are very popular and, though they may not exactly be called creative literature, they have given rise to many bestsellers. Readers' preference

is expected to be a growing force.

(IV) More varieties and more titles – specialization of the industry

The limited size of the market and large number of publishers have made competition fierce, with books aimed at specialized groups as well as the general public. Publishers targeting specific groups have clear goals and, therefore, steady operations. Those supported by memberships such as Pili (of the Cite Group) have done well.

(V) Same- and cross-industry alliances will enlarge markets

For some of Taiwan's smaller publishers and single-outlet bookstores, forming alliances with each other or even with companies in other industries may offer the best opportunities. With the rebuilding project in Chongqing S.Rd. fembooks, Yushan, Intelligence Industries, Gaotan and Wisdombooks formed a "Reading Alliance." Others have uploaded their information onto the Internet, or cooperated with mobile phone or electronic reading companies to enlarge their market share and improve profits.

(VI) Increasing importance of publishing sector education

Technological developments have changed the industry, with new challenges appearing in all aspects from writing, editing, design, and printing, right through to reuse or recycling. Consequently, education has grown more important, and in the footsteps of the USA, UK and PRC, Taiwan is now promoting education for the publishing industry. The PRC now has a professional qualification for publishing employees, and is ready to welcome

the new century.

(VII) Need for increased capitalization

China and Taiwan both entered the WTO in 2002, leading to more companies targeting the China market. Taiwan companies set up in Beijing and Shanghai, hoping to be prepared for the opening of China's markets. Most were family-run businesses with limited capital, however, which might be an obstacle to future development. To attract foreign investment, they should professionalize their finance and management systems.

(VIII) Increase in part-time staff

To improve efficiency and cut down on fixed costs, many companies have cut staff and not replaced highly paid editors. Instead, many are contracting out this work, though this has led to problems as it is difficult to control the quality of outside staff. Staff members were previously recruited through personal introductions; in the future there will be a trend towards using human resource companies.

(IX) Urgent need to create digital databases

12.13 percent of books published in Taiwan in 2002 were e-books, a figure comparable to that in other countries. With maturation of digital databases, however, publishers can look forward to increasing use of e-books but also to the systematic storage of information. This is important if companies want to increase book value, a fact recognized by many companies. Yuan Liu's "intelligence database" is one such example. Opportunities are there for those who are ready. Is Taiwan ready for the forthcoming digital publication era?

(X) Multiple Brand Building

This survey found that branding was a key element mentioned by many respondents. Only successful brands that have market potential and continued development can attract capital investment. Brands are built on quality. To survive in the market, therefore, book quality must be improved. Success has been found by multiple branding by subsidiaries of big publishing companies such as the Cite Group, which had the different brands: Muwa, Tso An, Yuan Tsu, and Journey to the West, for different preferences. More of this kind of operation will be seen in the future.

(XI) Readers' habits change publishing form

As the PC has become increasingly popular, readers have shifted their reading habits from paper books to CDs. The e-book market is expected to develop rapidly.

(XII) Integration of publishing and marketing

The integration of publishing or integration of marketing will be more and more common in the future that the publishing is not only selling books but include all products. The success of Lord of the Ring in 2002 is a good example; sales of its relative products are so hot. Works of Jimmy and Harry Potter are also similarly. Integration of marketing is to sell all possible products using one topic and to create the most possible benefits.

(XIII) Customer Services

With the onset of the "reader-oriented" century, customer services will become more important. More care will be given to customers, and readers will demand more information. This will lead to the

creation of diversified channels combined with mail-order, group, club, and Internet sales.

(XIV) The Need for Consultation Services

There has been regular research of the publishing industry since 1997, with the exception of 2001 when unknown delays forced cancellation. Many companies had doubts about the findings, however, a similar situation to that of the UK where annual research was suspended in 2000. China, on the other hand, has a planned economy, so research there should be more exact. In practice, however, China's *Book Research Report* could better be described as a "meaningless firework."

China has three main forms of book industry research: "People's reading demands" by the China Publication Research Center; "Book retailer research" by the Book Market Research; and the smaller "Firsthand Information" by Publication Notes. Many people considered these to be false promotions of the sales of certain books, while some publishers considered the goal of research should really be to provide information relating to the market, topics, and different reading groups. This would be a help for investors in reducing risks. These "researches" were far from satisfying, therefore. Huang Ruotao, director of the market research center of the Beijing Presswork College, has said that this is due to the character of publishing companies. Books are short-term products, while publishing companies must be suppliers of different kinds of books. This makes it hard for them to target their market in the way that newspaper publishers can. While this may be partially true, annual research of whatever method should supply information needed to illuminate the

current state of Taiwan's publishing industry. In addition to the industry's own research, the government has established a number of consultation resources such as *New Books Monthly* and the *Taiwan Publication Information Net*(<http://www.tpi.org.tw>) to help publishing companies accumulate information.

(XV) The PRC Market

Use of the same language (Chinese) has given Taiwan's publishing companies an advantage in the PRC market, and all companies have shown great interest in investment on the other side of the Taiwan Strait. The market there is in chaos, however, and worries exist about legislation and levels of risk. Nevertheless, many companies have set up offices in China, activities which are expected to increase in the future.

Two: Book Retail Channels

(I) Diversified Channels

Due to the depressed economy and increasing return rate, many publishing companies and bookshops have sought other ways to attract readers. Other sales channels (in addition to bookshops, direct sales, school sales, mail-order sales and Internet sales) include:

1. Readers' clubs

Readers' clubs help readers choose good books and categorize readerships. Value is added to books through lectures and other activities. This is expected to be a growing feature of the future book market.

2. Mass Merchandisers (Super bookshops)

Mass Merchandisers, such as Eslite's Railway Station

shop in Taiwan, will become a major book retail channel in the future. They attract readers through their wide choice of books. In China, by comparison, mass merchandisers have only a short history. Similarly, when compared with superstores in the USA, Japan and Europe, those of Taiwan are still at the “quantity” stage and must still advance to the “quality” stage.

3.Specialized Bookshops and Community Bookshops

Theory suggests that mass merchandisers threaten the existence of small bookshops. This is true for general bookstores, but those with special features actually gain from the situation.

4.Internet and Multifunctional Shops

Successful Internet bookshops in Taiwan are almost all run by publishing companies (such as www.readingtimes.com.tw) or bookshops (such as www.eslitebooks.com or www.kingstone.com.tw).

This will be worthy of future attention.

(II) Irreversible trend toward cross-industry alliances

Many survey respondents identified cross-industry

alliances as an irreversible trend. Kingstone Books, for example, have issued a united card with other companies in the cultural sector to strengthen cooperation between publishing companies and other depressed industries. Similarly, Internet bookstores are cooperating with convenience stores so that books ordered online can be collected in neighborhood stores.

(III) Advantage of Bestsellers

Publication by Kingstone Books of a bestseller list has also influenced the book market. Too many small publishing companies simply copied the content of other top selling books. Although the effect in Taiwan was not so apparent, in mainland China, where bestsellers command 68 percent of total book sales, the effect can spread to the book markets of China, Taiwan, Hong Kong and Macao.

(IV) Low Price Strategy

Low price strategies certainly stimulate the market, help sell unmarketable books, and reduce the rate of book returns. Irrespective of the competition faced by publishers, therefore, low price strategies are certain to have an impact.