

## Summary

### **Revival seen in the book publishing industry in 2010**

According to the ISBNnet, 43,258 titles (including those by government agencies and personal publications) were distributed in 2010. This represented 6.44 percent growth over 2009 figures. The output value of the book publishing industry (excluding marketing and distribution) in 2010 was an estimated NT\$27.79 billion, a figure comparable to that of 2008 (NT\$28.09 billion). However, Ministry of Finance statistics show that total sales increased from NT\$31.37 billion in 2009 to NT\$36.75 billion in 2010. In 2010, the number of publishers in the survey pool climbed 2.1 percent over 2008, from 652 to 666. This suggests that the recent trend toward concentration has ameliorated the overall decline affecting the sector, attracting new faces to the market.

The book publishing industry took in NT\$27.79 billion in 2010. Outlays amounted to NT\$23.75 billion, for an average profit margin of 15 percent.

### **Industry composed primarily of small, local businesses**

The local book publishing industry is moving toward greater concentration. However, non-conglomerate members still accounted for a high (65.7) percentage. Moreover, looking at funding source and funds invested, Taiwanese individuals put in the most capital. Moreover, book publishing remained dominated by small firms, with 68.1 percent claiming fewer than 10 employees. For the industry as a whole, the average number of employees was 20.4. The majority (58.2 percent) of firms have registered capital of less than NT\$5 million. These figures show that the domestic publishing industry is dominated by locally owned small businesses.

### **Single store operations remain industry backbone**

Large chain bookstores now command a healthy market share thanks to their number of branch locations. Wholesale clubs and convenience stores, as a result of expansion and diversification in the merchandise they carry, have become a new book retail channel. However, single-bookstore distributors with registered capital of less than NT\$1 million remain the backbone of the industry, claiming 62.6 percent of market share.

Looking at the industry from another angle, the majority of single-store operations were sole proprietorships (52.5 percent), while chain bookstores were mostly limited corporations (86.6 percent). Both single-store operations and chain bookstores were concentrated in Taipei City in mixed residential/commercial districts (29.0 percent), commercial districts (20.7 percent), and areas near schools and cultural centers (13.1 percent).

### **Moving toward multi-pronged approaches**

Looking at distribution via bookstores by book type, 43.9 percent of single-store operators sold various types of publication and other products in 2010; this was 20 percentage points higher than the 24.1 percent in 2008. For chain bookstores, 74.5 percent offered such services in 2010, roughly 20 percentage points higher than the 55.6 percent in 2008. Book marketing and distribution is trending toward offering multiple publication types and other products.

### **Textbooks, graphic novels, and novels dominate the market**

Questionnaire recipients (business that published four or more titles in 2010) reported publishing an aggregate of 28,084 new titles in 2010. Of this, textbooks accounted for the greatest proportion (17.0 percent), graphic novels the second-largest amount (16.8 percent), and novels the third-largest amount (16.5 percent). By volume sold, graphic novels enjoyed the greatest sales (23.3 percent), followed by textbooks and novels (each at 19.6 percent). An estimated 30,626 titles (excluding those by government agencies and personal publications) were published in Taiwan in 2010.

### **Book publishing industry's utilization of multiple distribution channels and sales turnover**

In 2010, the book publishing industry relied primarily on concessionary distributors / agents (45.6 percent), followed by proprietary distributors / agents (36.8 percent), and then proprietary bookstores (30.4 percent). Turnover was highest in the concessionary distributor / agent (33.6 percent) channel, followed by the proprietary distributor / agent (21.8 percent) channel, and lastly proprietary bookstores (11.4 percent).

Textbooks were mainly distributed through publishers making recommendations to teachers (56.0 percent) and via proprietary online bookstores (37.5 percent). By volume, recommendations to teachers accounted for the greatest number of books

sold (29.3 percent) while the concessionary distributor / agent channel came in second (21.6 percent).

Test preparation books were distributed primarily through proprietary bookstores (51.5 percent) and via the concessionary distributor / agent (44.0 percent) channel. In terms of sales volume, the concessionary distributor / agent channel accounted for the most (32.7 percent), followed by proprietary bookstores (22.5 percent) and then recommendations to teachers (13.5 percent).

**Discounts to distributors averaged 33 percent, while the average book return rate reached 37.7 percent**

With the economic downturn, consumers have become more conservative in their spending on books. Since the first discount bookstore opened its doors, distributors have engaged in a price war that has played havoc with the market pricing mechanism. Publishers offered an average 33-percent discount to distributors in 2010. Discounts at proprietary bookstores ranged between 23 and 41 percent off, in which, the discount rate (41 percent) offered by proprietary distributors / agents was the greatest. Discounts by those in the concessionary distribution channel ranged between 19 and 45 percent off. The best offers (45 percent discount) were at stationery stores, general stores, wholesale clubs and in the concessionary distributor / agent channel.

The return of unsold books has always been an unavoidable issue for the book publishing industry. However, a high return rate places a heavy burden on publishers. In 2010, the return rate for publishers ranged between 19.4 and 43.8 percent. Price wars and high return rates have resulted in market disorder. Therefore, 57.4 percent of those in the book marketing and distribution industry support selling books at fixed prices.

Statistics from the book marketing and distribution industry show that consumers who spent between NT\$401 and NT\$500 on individual book purchases accounted for the highest percentage (23.5 percent). The average price of paperback books was NT\$281.2. Leisure and tourism books commanded the highest average price, NT\$306, while graphic novels had the lowest, NT\$140. Hardcover books had an average price of NT\$520.1. General subject-matter books commanded the highest average price (NT\$575.6) among hardcover books, while graphic novels had the lowest (NT\$283.1).

### **Book publishing industry had high fixed cost ratios, while digital publishing had low profitability**

The profit margin in the book publishing industry is limited given high fixed expenses, which amounted to 50.1 percent of total expenses, of which salaries accounted for the largest share (21.9 percent). Printing costs also accounted for a high percentage (24.2 percent) of expenditures. While the book market remains in a mire given the overall economic downturn, publishers have to operate as corporate groups to maintain profits and reduce costs. The development of digital publishing has also been helpful in reducing printing expenses. In terms of earnings, the performance varies wildly by publishing house. Overall, publishing groups enjoy a competitive advantage and higher profits. Book sales remained the main source of income (90.1 percent) of publishers. The income generated from digital publications remained small, accounting for a mere 1.4 percent of total income, indicating that digital publishing has not yet come of age in Taiwan.

### **Overseas investment remains low while copyright sales grow**

As Taiwan's domestic market is limited, the book publishing industry has been actively developing overseas markets. Given linguistic commonalities, mainland China has naturally become the primary target market. However, restrictions in mainland China's investment environment have resulted in limited investment by Taiwan publishers in the mainland. At present, only 5.5 percent of publishers have invested in mainland China, and those who have are mainly involved in the sale of copyrights.

As to the copyright trade, 46.7 percent of publishers purchased foreign copyrights. Each business spent, on average, NT\$3.71 million on copyrights mostly from publishers in the United States. Moreover, 20.6 percent of publishers purchased copyrights from mainland China; of these, most have been for literature. Roughly 33.3 percent of publishers sold copyrights to other regions or nations, mostly mainland China, at an average price of NT\$725,000 per copyright.

Taiwan's openness to foreign cultures is evident in its import and export of books. Book imports have long exceeded exports. In 2010, book exports by dollar value were 27.1 percent higher than in 2009 and were valued at US\$63 million. This shows that Taiwan's culture has begun to spread around the globe. Around 12.8 percent of publishers imported books in 2010. Each importing publisher imported an average of

13.1 titles. Meanwhile, 33.0 percent of publishers exported books in 2010, an average of 58.1 titles each.

### **Mainland Chinese publishing industry booms; Japanese graphic novels continue a decline**

The United Kingdom's Pearson was named the world's largest publisher in the "The 2010 Ranking of the Global Publishing Industry" released by Rüdiger Wischenbart Content and Consulting and Livres Hebdo. Ten German publishing houses made the list of the global top 50, as did seven each from the United States and Japan. Mainland China's Higher Education Press and South Korea's Kyowon Group were also in the top 50.

In mainland China, the total value of publications continued to grow in 2010 and reached RMB¥93.60 billion, indicating that domestic demand for books is growing in that market. Mainland China's copyright exports jumped to 5,691 titles, of which most were sold to Taiwan-based publishers. Digital publishing is growing as well, with use of mobile phones as reading devices having reached 23 percent, showing that this market is bursting with potential.

The publishing industry in the United States had turnover of US\$27.9 billion, of which physical book sales accounted for US\$24.43 billion and e-books US\$3.5 billion, representing 12.6 percent of the market. All in all, the e-book market in the United States is continuing to grow.

The United Kingdom's publishing industry is the largest in the world (as measured by 2009 sales). In 2010, sales grew 2.0 percent over the previous year to nearly £3.12 billion. Of this figure, domestic sales amounted to £1.86 billion and international sales £1.25 billion. Books are mainly sold at major chain stores (29.0 percent) and online (27.0 percent).

In Japan, the graphic novel sector is facing a downturn. In 2010, 2.87 billion copies were sold by Japanese publishers in 2010, a decrease of 120 million units or 4 percent on 2009. Sales amounted to ¥1.88 trillion in 2010, a 3.1 percent fall from the previous year. E-books sold to the tune of ¥67 billion in 2010, a figure expected to grow to ¥150 billion by 2014.

### **Graphic novels enjoy growth, but local creativity is lacking**

The graphic novel sector is unique within the book publishing industry. Turnover in graphic novels edged upward in 2010 to NT\$1.83 billion from NT\$1.14 billion in 2008. New book sales grew by 4 million copies over 2008 to 16 million. Graphic novels commanded an average price of NT\$140. Persons aged 12 to 15 were the main readers of graphic novels, with persons under the age of 35 accounting for 73.8 percent of readers. This indicates that the age range of graphic novel readers is expanding; the genre's appeal is no longer limited to students. However, retailers and publishers of graphic novels said that the market for their wares was shrinking gradually and that profit margins had thinned. To maintain a customer base, peripheral products are also being promoted. Over 95 percent of graphic novels sold in Taiwan in 2010 were of Japanese origin. The fact that there is a shortage of local creators is a major impediment to the development of the local graphic novel industry.

### **Digital publishing enjoys growth amid uncertainty**

As the world enters a digital age, digital publishing is ringing in a new era for the book publishing industry. At present, only 37.2 percent of book publishers are involved in digital publishing, an increase of approximately 10 percentage points over 2008. Digital books sold were primarily literature (20.6 percent), textbooks (18.9 percent) and children's books (15.5 percent.). Most digital publications were released in the "PDF" format (73.2 percent). Some 52.4 percent of publishers expressed that they have experienced difficulties in developing the digital side of their business. These difficulties include copyright issues, a lack of technical capacity and insufficient funds. If these can be overcome, this new sector will develop rapidly.

### **Going digital is the future for book publishers**

Although the market is seeing a recovery, book publishers remain somewhat apprehensive about the market outlook. Among questionnaire respondents, 31.8 percent have plans to develop their digital capacity, while many are seeking alliances outside (14.8 percent) and inside (14.3 percent) the industry. Roughly 13.9 percent are seeking to move to a product line that is more professional and personalized. Only 12.0 percent of respondents said they have plans to enter the sizeable mainland Chinese market in the next three years, with investment there targeted firstly at book publishing and secondly at copyright sales.