

Abstract

Publishing industry output value fell in 2008

Statistics from the monthly journal *New Books and Recent Publications* in Taiwan show that 44,684 new titles were published in 2008, a decline of 1.67 percent from 2007. Estimated output value for the year (excluding distributors) was NT\$28.09 billion (US\$868 million). This shows that the industry has grown since 2006, when output was NT\$25.07 billion (US\$775 million). Meanwhile, total 2008 expenditures were NT\$22.63 billion (US\$699 million). An alternative set of statistics provided by the Ministry of Finance suggests that the industry's gross revenues were NT\$32.23 billion (US\$996 million) in 2008, down from NT\$32.433 billion (US\$1 billion) in 2007. The number of publishing houses surged also fell from 842 in 2006 to 652 in 2008, a decline of 22.3 percent. As overall demand for books is weak, and the market is limited, competition is forcing an industry consolidation.

Average overall profit was 17.4 percent, with publishers of textbooks earning the highest average profit, 23.5 percent, and publishers of test-preparation materials the lowest average profit, 12.6 percent.

Publishers are mostly small, locally owned operations

Although there seems to be a gradual trend toward consolidation, independent firms remain the majority (63.8 percent) of operators. Republic of China nationals provided the capital input or the largest amount of invested funds for most operations. The majority (53.8 percent) of publishing houses had 10 or fewer employees, with the mean number of staff being 24.6. The majority (55 percent) of firms was capitalized at NT\$5 million (US\$155,000) or less.

Most distributors are independent enterprises

Senseio Bookstore's financial difficulties in 2001 and the effects of SARS in 2003 started a rapid decline for a majority of book distributors. Only virtual distributors have consistently shown positive growth. Singapore's

Page One Group opened up a store in the Taipei 101 Mall in 2004, while Eslite Corp. opened its flagship store in 2005. Having passed through a period of trial by fire, chain bookstore operators now control a healthy share of the market. Hypermarts and convenience stores have also become distributors in recent years as they have opened more locations and expanded their product lines. Despite this, the vast majority (87.3 percent) of book distributors are independent booksellers capitalized at under NT\$1 million (US\$31,000). Nearly all (94.3 percent) distributors are general bookstores, while 6.9 percent are hybrid bookstores and 0.4 percent are bookstores attached to hypermarts.

Over two-thirds (69.5 percent) of independent bookstores are wholly owned firms, while the majority of chain store operators are either companies limited by shares (55.6 percent) or limited corporations (20.4 percent). Both independent retailers and chain stores are concentrated in Taipei City. A plurality (29.7 percent) are located in commercial districts, with the second-most popular location (29.1 percent of stores) being near schools. Residential areas (23.2 percent) also play host to bookshops, as do mixed residential/commercial districts (13.5 percent) and areas around transportation hubs (9.5 percent).

Considering sellers from the types of books they sell, 75.9 percent of independent bookshops are dedicated stores, of which the majority are sellers of textbooks and test-prep materials. The second-largest category is dedicated sellers of novels and graphic novels. Of chain stores, 44.4 percent are dedicated bookshops, with textbooks and test-prep materials making up the largest segment of these, followed in descending order by sellers of travel and leisure, humanities, computer reference, foreign-language, religious, social science, novels/graphic novels, children's and feminist titles.

Novels were the most-published type of new title in 2008, while test-prep materials saw the best sales

A total of 44,684 new titles was published in 2008. Novels accounted for the greatest proportion (19.5 percent) of these, with textbooks and graphic novels right behind at 15.9 percent and 14.9 percent, respectively. In terms of copies sold, textbooks were the leaders, comprising 19.4 percent,

followed by graphic novels at 18.7 percent and novels at 17.4 percent. The greatest proportion of publishers (24.9 percent) printed novels, while 22.8 percent put out art books and 20.8 percent sold medicine/household management works.

Each store carried an average of 18,094.7 books. Test-prep materials were accorded the largest amount of display space (17.3 percent) followed by children's books at 11.6 percent and graphic novels at 9.6 percent. Sales mirrored the space allotted book categories, with 18.4 percent of turnover being accounted for by test-prep materials, 11.3 percent by children's books and 9.7 percent by graphic novels.

Sales agents beat out direct sales in terms of both distributors and sales

Publishers and distributors have long had a symbiotic relationship. This partnership is noted for the need to preserve a beneficial working relationship, to grow together and to work to increase one another's profits. Recent years have shown that there are limits to growth for bookselling. In addition to traditional distributors (sales agents selling to final retailers such as bookstores), new distributors (such as hypermarts and virtual booksellers) are also working directly with publishers. Moreover, retailers are working to reduce the cost of capital and have shown a willingness to utilize different payment collection methods. As a result, the publishing and distribution industries may see a decoupling in the future.

However, in 2008 distributors were still primarily independent general dealerships/dealers/distributors/agents (57.9 percent), with virtual stores run by publishers and brick-and-mortar retailers dominating the remainder of the market, with 39.6 percent and 39 percent, respectively. A plurality of sales was made by general dealerships/dealers/distributors/agents (33.9 percent), with brick-and-mortar retailers accounting for 13.8 percent and publisher-run dealerships/dealers/distributors/agents for 12.6 percent.

Most (80.1 percent) textbook publishers distributed their wares through schools by recommending texts to teachers, while 46 percent distributed

books through brick-and-mortar retailers. A plurality (41.4 percent) of sales was generated by the texts-to-teachers channel, while 20.3 percent was accounted for by brick-and-mortar retailers.

Test-prep materials were distributed along the same lines, with 48.6 percent being disbursed via the texts-to-teachers channel and brick-and-mortar retailers accounting for 37.1 percent. The largest share of books (15.9 percent) was distributed by the texts-to-teachers method, with independent general dealerships/dealers/distributors/agents taking 15 percent, publisher-run dealerships/dealers/distributors/agents 12.5 percent and publisher-run outlets 11.8 percent.

Average discounts to distributors ran to 32 percent, with the unsold book return rate reaching 37.7 percent

With the economy weak, consumers have become more careful about what they spend on books. Since the first discount book store opened its doors, distributors have engaged in a price war that has played havoc with the market pricing mechanism. Publishers offered an average 32-percent discount to distributors in 2008. Discounts of between 17 percent and 39 percent were given to distributors run by publishers themselves. And publisher-run stationary shops and general bookstores received the deepest cuts (39 percent). Discounts to distribution agents ranged from 19 percent to 50 percent. And stationary stores, general trading companies and wholesalers enjoyed the deepest discounts (50 percent).

The return of unsold books has long been a problem that has plagued publishers, and a high rate of return is the most serious problem a publisher can face. Return rates ranged from 16.8 percent to 37.7 percent in 2008. The restructuring of the market, predicated on price wars and high return rates, lies in the offing for the publishing market.

Sales figures indicate that the largest segment (31.8 percent) of consumers budgeted NT\$201 to NT\$300 (US\$6.21 to US\$9.27) for book shopping. Prices for paperback books averaged NT\$286 (US\$8.84), with paperback textbooks selling for the highest average price, NT\$354.3 (US\$10.95), and paperback graphic novels for the lowest average price, NT\$95 (US\$2.94). For hardcover books, the average price was NT\$533.1

(US\$16.48), with test-prep materials fetching the highest average price, NT\$636.1 (US\$19.66), and hardcover graphic novels the lowest, NT\$240 (US\$7.42).

Publishers taking a wait-and-see attitude toward digital publishing

Digital publishing marks the dawn of a new era in publishing. At present, however, only 27.9 percent of domestic publishers have invested in this area. Those who have not give difficulties in ascertaining which e-readers will become the standard as well as difficulties in changing reading habits as their reasons. But 46.6 percent of publishers plan to release digital publications within the next three years, showing that publishers remain confident that digital publishing is a growth business.

Some 44.1 percent of publishers stated that when developing digital publishing in the past they had experienced difficulties with copyrights, piracy, reading habits and insufficient funds.

Personalization and specialization are industry trends

Falling readership and sales numbers, combined with the overall poor economic climate, have meant that publishers are not overly optimistic about their prospects. Over a quarter (27.5 percent) plan a move toward personalized and specialized products, with 25.4 percent looking at digital operations. Forming alliances with non-publishers is in the minds of 14.2 percent. Despite the large potential of the mainland Chinese market, only 11 percent of domestic publishers plan to enter that market within the next three years. Of those looking to invest in mainland China, most intend to sell copyrights, while others are considering publishing.