



The Chinese Publishing Industry Today

State vs. Free Market, Updated Statistics, New Trends, Digital Publishing and Reading Behaviour

State vs. Free Market

Chinese publishing may still be in shackles, but change is in the air

The publishing industry continues to be one of the most heavily government-controlled industries in China. The General Administration of Press and Publication (GAPP) is the highest authority responsible for administrating and controlling publishing and the press in China. GAPP's responsibilities include, for example, overseeing regulations, issuing ISBNs and approving the establishment of new publishing houses, as well as the establishment of international cooperations between Chinese and foreign publishing houses.

Until 2002, all Chinese publishing houses were state-owned, non-profit organisations. Beginning in 2003, step-by-step reforms have been introduced. As a result, the state has steadily withdrawn from the industry, forcing state-owned publishing houses to become more market-oriented. Over the last decade, five significant changes have been observed in the Chinese publishing industry:

1. The proliferation of conglomerate publishing groups. Large publishing groups have appeared within many provinces. At first, these publishing groups were a pure product of top-down policy; a way for the government to strengthen the domestic industry. Since 2008, a new trend has appeared, in that some leading publishing groups have begun to restructure themselves and to create new mergers across provincial and industry boundaries.

2. Transformation. Apart from a very few publishing houses that remain non-profit (like provincial-level People's publishing houses, which still focus on propaganda tasks for the Party), all publishing houses are required to transition from non-profit to enterprise. This transformation process should be finished by 2010.

3. The private sector has gained in acceptance. There are around 10,000 private publishers in China, 200 to 300 of considerable size. Prior to 2006, they mostly found themselves working in a kind of "underground economy". Since they were not permitted to apply for publishing licenses, their companies were often registered as cultural companies. In short, they had to find a way to do publishing without ISBNs, and thus ISBNs became a marketable good between private and state-owned publishers. Nevertheless, the private sector has played a powerful role in the Chinese book market: they buy 12% of total copyrights from international partners every year; they successfully conduct publishing operations at a high level of professionalism and market-orientation; and 50% of the titles on the bestseller lists come from private publishing companies (according to Feigongwei statistics). A significant change took place in April 2009 when the minister of GAPP, Liu Binjie, confirmed that private publishers would be officially and legally permitted to do everything that a publisher can, with the exception of ISBNs, which will remain in the hands of state-owned publishers.

4. Going public. The new policy in China encourages the investment of capital into the publishing industry from non-state-owned corporations, from other industries and even from international companies, though in this time of financial crisis the stock market and "going public" have become popular among Chinese publishers. As a result of this top-down policy, four publishing and media groups, from Liaoning, Shanghai, Sichuan and Anhui provinces, have registered themselves on the stock market.

5. Going out policy. In 2005, at a forum of the Beijing International Book Fair, a statistic was announced which Chinese leaders found shocking: in 2004, Germany made more than 600 copyright sales to Chinese publishing houses, while in the same year China made only one such sale to Germany. The idea of culture as a country's soft power has gained traction among Chinese decision makers, and a new policy called "going out" has been issued and put into rapid development. A few examples of this new strategy: Confucius Institutes spreading throughout the world; China as the Guest of Honour at Frankfurt Book Fair 2009; the translation funding program "China Book International". As for copyright, Chinese publishing houses today are under pressure from GAPP to sell copyrights to other countries.

Updated Statistics

Re-analysis of new market figures covering everything from publication numbers and prices to import and distribution trends

Each summer, GAPP issues an official statistics report about the book market of the previous year. In July 2009, GAPP issued statistics about China's book market in 2008.

Number of Publishing Houses

As of 2008, there were a total of 579 publishing houses registered in China. Among them, 220 belong directly to the central government level, while the other 359 publishing houses operate at the provincial level. Compare this to the 578 houses in 2007 and it appears only one new publishing house has entered the market. This most probably is not an indication of market stability, but instead a very careful process of approval and control.

Book Publication

China produced 275,668 books in 2008. Around 15,000 of them were new titles. Compared to 2007 the total title production increased by 11%, and new title production by 10%. One piece of good news is that reprints went up, too – by 12%. Reprints count for almost 46% of the total production. Book printing consumed 1.32 million tons of paper.

2008 production by sector

Literary titles	19,585 (of which 14,646 were new)
Language titles	15,528 (of which 7,925 were new)
Economics titles	23,496 (of which 15,106 were new)
Philosophy titles	5,520 (of which 4,084 were new)
Natural science titles	71,356 (including STM, mathematics & chemistry)

Sales

GAPP statistics only include data from the state-owned Xinhua distribution and retail channel, as well as the sales channels of the publishing houses themselves. GAPP tallied sales in 2008 of 14.56 billion euros, which includes both retail and distribution sales. In this case, however, Open Book statistics may be more accurate. Open Book (<http://www.openbook.com.cn/EN/>) is a private organisation and the only continuous sales monitoring service for books in China. Sun Qingguo, its general manager, said that net sales in the Chinese book market in 2008 should be at about 6.5 billion euros: 5.2 billion created by state-owned

channels like Xinhua and the publishing houses, and the remaining 1.3 billion earned through private channels. Sales generated through online bookstores were included in these two systems.

Book Prices

In the 2008 GAPP statistics, the average book price is 11.41 RMB per copy. Children's books are priced even lower, on average 9.85 RMB per copy. The "2008 Survey of Chinese Reading Behaviour" conducted by the Chinese Institute of Publishing Science claimed that only 17.9% of Chinese are willing to accept a book price over 21 RMB (around 2.3 euros). Almost half of Chinese (49.2%) think that current book prices are too high.

Copyright

According to the GAPP statistics, Mainland China bought a total of 16,969 titles from other countries in 2008, the top 10 partners being:

Ranking	Country	2007	2008
1	Taiwan	892	6040
2	USA	3878	4011
3	UK	1635	1754
4	Japan	822	1134
5	Korea	416	755
6	Germany	585	600
7	France	393	433
8	Singapore	228	292
9	Hong Kong	268	195
10	Canada	33	59

In 2008, Mainland China sold 2,455 titles to other countries. The top 10 partners were:

Ranking	Country	2007	2008
1	Taiwan	630	603
2	Hong Kong	116	397
3	Korea	334	303
4	Singapore	171	127
5	USA	196	122
6	Russia	100	115
7	Germany	14	96
8	France	50	64
9	Japan	73	56
10	Macau	38	47

Obviously, copyright exchange among Chinese-speaking countries/regions like Mainland China, Taiwan, Hong Kong, Singapore and Macau play a significant role, with a strong interest in English language books taking second place. The rapid increase of sales to Germany has much to do with China's role as Guest of Honour at the Frankfurt Book Fair 2009.

Import & Export

Statistics with regards to the movement (and stockpiling) of books tell a story of their own.

Export 2008

Book exports accounted for 31.31 million USD in sales, showing a decline of 5% over the previous year. Qi Pingjing, CEO of China's largest book export company, China International Book Trading, is highly dissatisfied with this result. In Qi's opinion, the export business counts for only 0.5% of domestic sales, an unacceptable situation.

Import 2008

China paid 81.55 million USD to purchase books from abroad, 4.38% more than 2007. STM titles make up the largest group of imports, with 41.24% of total sales. Second are philosophy and social sciences titles. This indicates that the main purchases have been made by university and institute libraries. The book import and export business, much like the publishing industry, has not been fully opened yet. A mere 38 state-owned companies own all licenses to operate in this area. If a library or bookstore needs to import books, they have to designate an import-export company to do this, and pay the company an agency fee.

Inventory and price wars

The problem of inventory, always serious, was worsened by the financial crisis in 2008. GAPP statistics show that within the state-owned system there are 5.1 billion books, with a value of 6.72 billion euros, which are still undelivered. This indicates an increase of 14.05% over 2007. In addition, the problem of this undelivered stock is closely related to deficiencies in the distribution systems of China's book markets.

Even now there is no distribution system with full national coverage; even the Xinhua bookstores, one of the best examples of domestic distribution, can only distribute within a handful of provinces at most.

Another serious problem in the Chinese book market is related to price wars. No rules are in place to ensure reasonable or fixed pricing. Each bookstore

decides by itself how to manage discounts. It is even a unique selling point of China's online bookstores that all their books are discounted, including new titles and bestsellers. For example, Dangdang, the largest online bookstore with 500,000 deliverable titles, provides an average 20% discount for 70% of their titles. Thus, many physical bookstores have been forced to offer discounts, too. As a consequence, some large bookstores have even gone bankrupt. Publishing houses have sustained heavy losses, as well, due to price pressure from distributors and booksellers.

Distribution & Retail

Within the Chinese book market, only the distribution and retail markets have been opened to private and international players. There are three main distribution channels:

1. Xinhua acts as both distribution and retail. The Survey of Reading Behaviour shows that the Xinhua Bookstore is still the first choice (72.5%) for book purchase in China.
2. Private distribution channels and private bookstores. According to Open Book estimates, almost 1/5 of retail revenue is generated by the private sector. As the Survey of Reading Behaviour shows, 30.3% of readers buy books in private bookstores.
3. Online bookstores. The Survey notes that only 5.7% of purchases are made online, however, online book purchasing increased by 62.9% over the previous year. No doubt, this is a high potential market. China Internet Network Information Center (CNNIC) reported in July 2009 that, counter to general trends during the economic crisis, the number of internet users making online purchases increased to 87.88 million, 14 million of them within the last six months. The Xinhua Agency cited figures from AC Nielsen, saying that 56% of internet users purchase books online (Xinhua Net: 04 June 2009). Dangdang and Amazon are the two largest online B2C companies, able to deliver books and other goods to more than 100 Chinese cities.

One rather disconcerting detail is the second choice of outlet for Chinese book buyers revealed by the survey: 34.1% of people admitted to buying books from street-side vendors, a typical outlet for pirated books.

New Trends

A closer look at children's books, bestsellers and textbooks – three highlights of the Chinese book market

Children's Books

By 2007, the children's book market was already very well developed. This trend continued in 2008 when more than 13,500 titles were in production – 7,440 of them new. Compared to the previous year, production increased by 29.27%.

The "2009 Survey of Reading Behaviour" shows the favourite books for children aged 0-8 years old as:

1. Drawing books and wall posters (46.2%)
2. Children's fairy tales (42.9%)
3. Cartoons and comics (30.4%)

Children aged between 9-13 years mostly read classics, comics, science fiction and fantasy, as well as school stories. Young adults aged 14 to 17 are reading literature (58.5%), followed by history, popular science and psychology.

In March of 2006, the Chinese National Bureau of Statistics (NBS) reported that by the end of 2005, children and teenagers (up to 14 years old) represent 20.3% of the total Chinese population (1.3 billion people).

<http://www.stats.gov.cn/tjgb/rkpcgb/>

Meanwhile, children's books in 2007 made up only 5.42% of total production, while in 2008, production of children's books made up 6.18% of the total. Despite the increase, the disparity of these numbers with the population of children indicate that there is still great potential for children's books in the Chinese market. Chinese publishing houses are discovering this, as well. In April 2006, GAPP reported in the *China Book Business Report* (CBBR) that more than 91% of Chinese publishing houses had produced children's books in 2005. Along with the 34 official children and young adult book publishers, 130 houses have set up separate editorial departments specially for the category of young readers.

Bestsellers

Bestsellers are always a favourite topic within the Chinese publishing industry. Survey statistics from Open Book (<http://www.openbook.com.cn/EN/BestSellers.aspx>) are most often quoted, and generally considered authoritative. Chinese readers' interests are quite evident from these fiction, non-fiction and children's literature bestseller lists.

Fiction Top 10 (July 2009, OpenBook)

Stephanie Meyer's *Twilight* series takes up four of the top ten fiction slots. Eileen Chang, a classic from the modern era, has appeared on bestseller lists for years, while the 26-year-old Guo Jingming is currently the top-earning writer in China. He writes about love and suffering for an audience of young boys and girls, and is more than a writer – he is an idol for many in the 13-18 age group.

Pos	ISBN	Title	Press	Author	Price
1	9787530209981	Little Reunion	Beijing October Art & Literature Publishing House	Eileen Chang	□28
2	9787505725508	Notebook of a Grave Robber (V)	China Friendship Publishing Corporation	Nan Paisanshu	□32.8
3	9787544803335	Twilight	Jieli Publishing House	[US] Stephanie Meyer	□29.8
4	9787535438171	Tiny Times 1.0	Changjiang Literature & Art Press	Guo Jingming	□29.8
5	9787544807395	Twilight – Breaking Dawn	Jieli Publishing House	[US] Stephanie Meyer	□39.8
6	9787544804196	Twilight – New Moon	Jieli Publishing House	[US] Stephanie Meyer	□32
7	9787229007874	The Tibet Code□7□	Chongqing Publishing House	He Ma	□29.8
8	9787561339121	A Story of LALA's Promotion	Shaanxi Normal University Press	Li Ke	□26
9	9787535439802	Memory in the City of Dragon	Changjiang Literature & Art Press	Di An	□22.8
10	9787544805711	Twilight – Eclipse	Jieli Publishing House	[US] Stephanie Meyer	□35

Non-Fiction Top 10 (2009, OpenBook)

There is not a single foreign book on the non-fiction list, clearly dominated by books by contemporary Chinese writers. *Facts of the Ming Dynasty* was first discovered and made popular on the internet; the author discusses Ming dynasty history from his own point of view. He has published seven physical books so far, and nearly each one has appeared on the bestseller lists. Another interesting phenomenon is that a television stage magician has three books on the list. This non-fiction bestseller list is an excellent indication of the volatility and changeability of Chinese readers' tastes. Only six months ago, nearly 80% of the list was taken up by books about health and nutrition, but now only one such book remains in the top ten.

Pos	ISBN	Title	Press	Author	Price
1	7111158717	Who Are You Working For?	China Machine Press	Chen Kaiyuan	□16.8
2	9787801655998	Facts of the Ming Dynasty (Final)	China Customs Press	Dang Nian / Ming Yue	□29.8
3	9787115200006	Magic That True Men Must Learn	Posts & Telecommunications Publishing House	Liu Qian	□20
4	7505722468	Facts of the Ming Dynasty (Zhu Yuanzhang Part)	China Friendship Publishing Corporation	Dang Nian / Ming Yue	□28.8
5	9787539926674	The Wisdom of Not Being Sick	Jiangsu Literature & Art Press	Ma Yueling	□29
6	7505722859	Facts of the Ming Dynasty (2)	China Friendship Publishing Corporation	Dang Nian / Ming Yue	□28.8
7	9787301151372	Study is Not Difficult	Peking University Press	Wang Jinzhan	□28
8	9787801655011	Facts of Ming	China	Dang	□28.8

		Dynasty (□V)	Customs Press	Nian / Ming Yue	
9	7200066109	Magic Temptation II	Beijing Publishing House	Liu Qian	□18
10	7200063339	Magic Temptation	Beijing Publishing House	Liu Qian	□18

Children's Books (Time July 2009, OpenBook)

Among children's books, Japanese author Kuroyanagi Tetsuko's book *The Little Girl at the Window* is not only a bestseller, it's also a long seller. This book was published by a Chinese private publishing company, using an ISBN from the state-owned Nanhai Publishing House. In China, the female writer Yang Hongying's books are even more popular than *Harry Potter*. Books from the Tomorrow Publishing House, from Shandong province, occupy eight of the top ten spots. In 2008, the Tomorrow Publishing House posted yearly profits of two million euros.

Pos	ISBN	Title	Press	Author	Price
1	9787533261269	Chocolate Summer Holiday	Tomorrow Publishing House	Wu Meizhen	□16
2	7544222977	Totto-Chan: The Little Girl at the Window	Nan Hai Publishing Co.	[JP] Kuroyanagi Tetsuko	□20
3	9787533260552	The Decision with Tears	Tomorrow Publishing House	Yu Yujun	□16
4	9787533260958	The Diary of Smiling Cat: Spring of Cherry Channel	Tomorrow Publishing House	Yang Hongying	□15
5	9787533259693	Paparazzi at Our Class	Tomorrow Publishing House	Wu Meizhen	□16
6	9787533260774	Best Partner: An Unhappy Monday	Tomorrow Publishing House	Shang Xiaona	□16

7	9787533260859	The Tree with Ears	Tomorrow Publishing House	Yang Hongying	□ 19
8	9787020063659	Harry Potter and the Deathly Hallows	People's Literature Publishing House	[UK]J.K.R Rowling	□ 66
9	9787533261191	The Feeling of Growing Up	Tomorrow Publishing House	Fang Weiping	□ 20
10	9787533258962	God Likes Stupid Children Too	Tomorrow Publishing House	Wu Meizhen	□ 16

Textbooks

In 2008, China published 55,853 textbooks (18,599 of them new titles), an increase of 3.44% compared to 2007. Prior to 2005, textbooks caused some distortion in the Chinese publishing market, making up 54.4% of sold copies, and 45.9% of sales. This indicates an unhealthy reliance on textbooks by the Chinese publishing industry. Furthermore, the publication of textbooks was a state-owned monopoly at the time. Then, a new government policy stated that from 2008 onward the majority of provinces would begin to promote the recycling and reuse of textbooks, while some provinces would use textbooks bought and distributed by the provincial government. These two measures had an obvious effect on textbook publishing in 2008. There were some unexpected side effects, too. For instance, individual education and high-school-level professional education became focal points for textbook publishing. By 2008, textbooks made up 52.75% of sold books, and 42.18% of sales, a decrease from 2005.

(China Book Business Report, 28 July 2009)

The Chinese Education Ministry issued their statistics recently, which show that in 2009 there would be around four million fewer students enrolled in primary and middle school compared to 2008. The resulting loss of textbook sales has been estimated at around 100 million euros (*Publishing Today*, 09 August 2009).

Digital Publishing

Growing internet use, mobile phone distribution and avid online gaming all help drive the success of digital publishing in China

The *24th Statistical Report on the Development of the Internet in China*, published by the China Internet Network Information Center (CNNIC) on July 16 2009, indicates that up until the end of June, the number of internet users in China had reached 338 million, a 13.4% increase over the end of 2008, and an increase of 40 million in the previous six months. There are also 155 million internet users who access the internet through their mobile phone, making up 46% of all internet users, and the number is growing swiftly.

These statistics indicate that up until the end of June 2009, the penetration of the internet in China had reached 25.5%.

The third China Digital Publishing Fair (held in July 2009 in Beijing) issued these updated numbers: by the end of 2008, the gross income of China's digital publishing industry reached 5.3 billion RMB, a 46.42% growth over 2007. GAPP expects the gross income of the digital publishing industry to exceed 7.5 billion RMB in 2009, with mobile phone publishing being the fastest-growing element of this trend. Vice minister of GAPP, Sun Shoushan, indicated that by the end of 2008, 90% of Chinese publishing houses had established digital publishing services, with a total of 500,000 digital titles available, 25% more than 2007. Total distribution exceeded 30 million copies, with an income of 300 million RMB, an increase of 50%.

Income figures for China's digital publishing industry include the following types of publication:

- Online periodicals
- Interactive multimedia periodicals
- E-books
- Electronic newspapers (including web newspapers and mobile phone newspapers)
- Blogs
- Online music purchasing
- Mobile phone publications (including ring tones, games and comics)
- Online games
- Internet advertising

Chinese All (<http://www.chineseall.com>) is the largest e-book website in China. Its CEO Tong Zhilei says that in 2008 the number of e-book readers in China reached 79 million. Because mobile phone users outnumber

internet users, and because China is currently engaged in a major push to get mobile phones online, everyone from publishers to information providers and the government itself is deeply confident in the future of the mobile phone.

In addition, the driving force of online gaming development has produced benefits for other cultural industries, including the publishing industry. The 2008 China Gaming Industry Survey Report (<http://games.sina.com.cn/y/n/2009-01-15/1049292598.shtml>) claimed a sales income of 18.3 billion RMB in the online gaming industry in 2008. The publishing and media industries (primarily books and magazines with tie-ins to the games) have earned an additional 5.32 billion RMB as a direct result, 30% of the income of the gaming industry itself.

Reading Behaviour

Curiosity drives reading statistics up

"The 2008 Survey of Reading Behaviour" (*China Press and Publishing Journal* 24 April 2009) said that the percentage of citizens between 18 to 70 who read books increased from 48.8% in 2007 to 49.3% in 2008. That means that almost half of all Chinese read books. Men tend to read more than women (on average 5.87 books each year, compared to 3.48 for women). In addition, by 2008, the percentage of citizens who read any textual materials, including periodicals, digital publications or other media, reached a combined total of 69.7%. The survey discovered that the most common reason for not reading was that people were "too busy to read". The most popular reasons for reading were "to get knowledge and information and broaden horizons" (62%) and "killing time, relaxation, and entertainment" (42,7%). The survey concludes that 5% of Chinese read books for their job or career.

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