

China's brick-and-mortar bookstores create room for imagination for the future of bookstores



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## China's brick-and-mortar bookstores create room for imagination for the future of bookstores

The earliest bookstores in China appeared in the Han Dynasty (200-8 BC) and were called Shusi (书肆). With an increase in the demand for reading material, books were gradually categorised as a commodity, the word Si (肆) being used in a formal, literary way for a shop or a store, which in the end led to the term Shudian (书店), meaning bookstore. As we find ourselves in the age of digital editions and online shopping, physical bookstores are caught in a somewhat awkward position. The Internet, while providing convenience and the possibility of finding more affordable, discounted products for customers, creates pressure for physical bookstores to no small extent. And the recent emergence of live video and streaming video book sales has compounded this equation. As bookstores rely on book retail sales as their core business, and as the difference between purchase price and discounted sales price is their source of profit, they are finding it difficult to earn money and even struggle to survive. Will China's physical bookstores disappear in the age of the Internet? How should they face these new times that we are living in?

1. The Era of Internet speeding up the reform of physical bookstores in China

From the very beginning, Chinese e-commerce platforms put pressure on the publishing industry and their products such as books, audio-visual products, software and games. The reasoning behind this can be based on four observations: Firstly, publications have standardised pricing, as compared to other products and commodities. Secondly, books are characterised as a part of the necessities of life, low-priced and purchased frequently. Thirdly, physical bookstores shoulder the expense of allowing potential customers to wander in without buying anything. And in China it is quite common for people to make use of bookstores in the same way that people in other countries engage with their public libraries and all of the free books that are available. Lastly, online booksellers can generate comparatively accurate data on user behaviour of customers browsing and purchasing books, which helps with precision marketing and the marketing of other commodities.

In May 2000, Joyo.com (卓越网) was established. It was one

of the first e-commerce websites in China, mainly dealing in books and audio-visual products and subsequently acquired by Amazon. Dangdang.com (当当网), a later addition to the e-commerce platforms in this field, also focused on the sales of publications and established itself with a name that came to be almost synonymously known with the word online bookstore. In May 2003, the C2C website Taobao was born. People were taking a liking to it, as they found online shopping a good alternative when they were unable or unwilling to go out. From the year 2004 onwards, China's e-commerce, including online bookstores, entered a period of rapid development.

In the past two years, new and other formats of online shopping have emerged, such as the use of livestreaming and short video to sell products, further promoting the development of China's e-commerce. Apps and platforms such as Douyin/TikTok, Kuaishou (both of which are social media apps that employ the short video format) and Xiaohongshu/RED (a platform focusing on lifestyle trends and young people) have entered the race for selling books and publications.

The development of online

bookstores at the onset of the Internet era did not have an immediate impact on physical bookstores until about 2011. Bookstores were already beginning to change their practices and the 1990s they gradually abandoned the practice of ‘closed stack’ bookshelves, by which sales employees had to retrieve titles for the customers manually. Since then, consumers browse for books by themselves, and except for an ever increasing scale of stores, no other substantial changes were made to the mode of operation. While once books were in short supply, an ample provision of books and an increase in the variety of publications furthered the retail sales of bookstores, and these numbers were growing steadily. As habits changed and demand for these items decreased, former hot sellers such as audio-visual products, “New Year pictures” (年画) and wall calendars vanished from bookstores, which returned to a focus on the business with books - and this model flourished.

This “winter” that Chinese bookstores experienced is symptomatic of their lagging response to the changes in the commercial retail market. In the early stage of the e-commerce boom, a fairly large number of stores had to close down and their employees had to find other work. But brick-and-mortar bookstores did not see themselves threatened by this development directly for around another ten years to come.

According to data from Open



In 2011, China's largest privately managed bookstore chain O2 Sun (光合作用书房) went bankrupt and every single one of its 31 stores was closed down

Book (a commercial institution providing consulting, research and survey services for the book industry), the watershed moment for physical bookstores came in 2016, when their sales were surpassed by online bookstores, whose business continued to increase with a double digit growth rate. Although this growth was driven by discounts, their business model clearly worked. By the end of 2020, online sales accounted for about 80% of all book retail sales; and this larger trend had become irreversible. Brick-and-mortar bookstores need to find a way to survive in the age of the Internet, whether it is because they are forced to, or because they want to take action as a precautionary measure.

As practitioners in the book industry, we believe that physical bookstores, having existed in China for 2000 years, will not vanish in the age of the

Internet, since there still are readers, and their number has not decreased. Where we do need to see new approaches, however, is with regards to the question of how to continue to run bookstores. Since 2011, operators of conventional bookstores have explored different options, hoping to win back consumers and to provide value for money. Looking for new ways of survival and profitmaking will enable them to continue with the business they love, in a decent way.

The last decade has seen bookstores experience a complete cycle from tidal fall to recovery and further development. In spite of a large number of bookstores, both well-known and unheard-of, being forced to shut down their business, there still exists a considerable number of conventional bookstores maintaining their operation and developing further because of





Banshan Books (半山书局), a famous privately run bookstore in Jiangsu province, opened for business in 2017



In 2021, Shanghai Xinhua opened its new 1925 Bookstore (1925 书局)  
(Note: Xinhua Bookstore is the largest state-run book distribution enterprise in China with stores in all provinces and cities of the Chinese mainland)

continuous efforts to reform. Furthermore, new brands have emerged and made a name for themselves. Prompted by favourable state policies, capital investment and enterprises from outside of the industry have been observing

the market as well, seizing the opportunity and blank spots to enter the domain of physical bookstores. Outside ideas, concepts, capital and technology along with the indigenous demand and forces of the industry

have created an upward spiral of evolution with escalating intensity.

During this period of time, bookstores in China have started to improve their spaces and hardware and to refine the content they offer, in order to attract customers and to find new ways of surviving. They implemented new practices with regards to questions such as how to improve the quality of the space and get the attention of consumers, as well as making customers stay for longer periods of time; how to provide richer content with new projects; how to improve the level of service and skills that influence it; searching for profit opportunities from various angles such as products, store space, events and customers, while trying to stabilise customer flows and to increase customer loyalty. All of this paid off. Well-designed spaces, the sensory reaction to printed publications, direct contact with readers and the formats and products associated with bookstores constitute a fine experience, an advantage unmatched by anything online bookstores can offer.

2. Chinese brick-and-mortar bookshops adjust and improve in terms of basic operation

### 1. Determining location and business scope from the point of view of customer satisfaction

Bookstores used to choose their location in busy commercial areas with their shops facing shopping streets to draw in the



flow of customers outside. As cities expanded, they moved from having single business districts to multiple commercial areas (community commercial districts). If shops would only stick to the city centre, they could no longer attract all of the residents and on top of it, rents there are expensive. This is true for all commercial businesses, and even more so for bookshops.

This change in the “faces” of cities and the larger number of commercial areas entails a diversion of consumer foot traffic. Bookstores need to evaluate the different areas of the city and find new ways of determining a favourable location, such as how to make use of existing foot traffic or creating it by means of their own scale. The development of the retail industry has provided bookstores with opportunities and some of them have chosen to open shop in emerging commercial complexes, turning into a specific format of the retail industry. Powerful bookstores have styled themselves as a combination of “culture + commerce” on a larger scale, with the bookshop as a core, while making use of other commercial income to support their bookselling business and thereby creating a new form of commercial centre. Others have chosen to continue opening shops in busy urban areas, while attracting customers by changing the ambience they can provide.

At present, the most common size of physical bookstores



Suzhou Phoenix Culture Square, a famous landmark in Suzhou, Jiangsu Province located in the CBD of Suzhou Industrial Park, a Chinese-Singaporean cooperation project. Phoenix Publishing & Media Group (凤凰出版传媒集团, PPMG) invested 1.6 billion CNY in this project, which includes a cultural and commercial complex made up of a large scale “book city”, as well as office buildings and residential buildings - a true urban complex project.



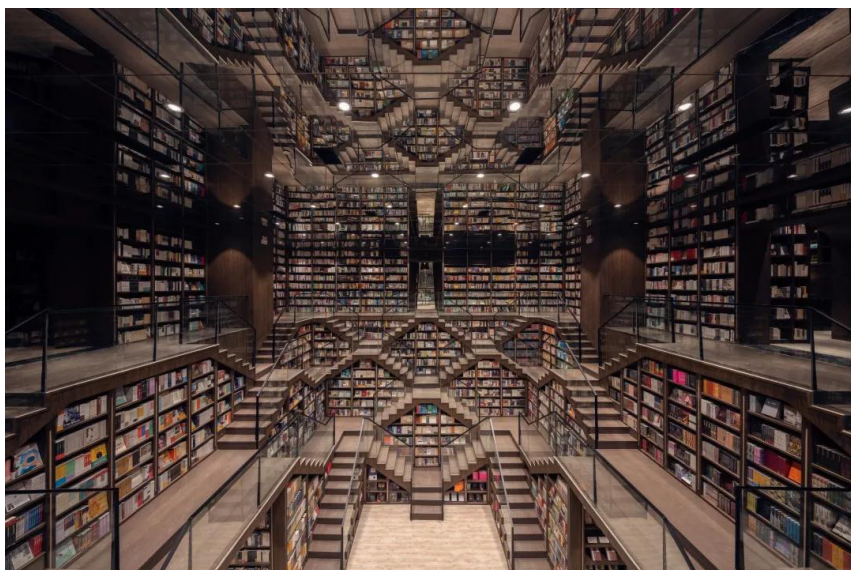
In Sichuan, Winshare Bookstore/Winxuan (文轩书店, the Sichuan branches of Xinhua Bookstore) cooperated with a shopping centre to open two bookstores with an area of 10,000 square meters, which became the shopping centre's new main store.

lies between 300 to 1000 square meters, while smaller bookstores are able to adapt in a more flexible way and are making an appearance in hospitals, communities, schools and even

inside libraries. In some cities, tens of thousands of square meters of commercial centres with various formats of cultural content have emerged; these not only incorporate bookstores, but



Sinan Books Poetry Store (思南书局诗歌店), a Shanghai landmark bookstore, was built with 45 tons of steel on the former site of St. Nicholas Church, a historical building in Shanghai



Chongqing Zhongshuge Bookstore (重庆钟书阁) won ArcDaily's "2020 Best Architecture Award"

also cinemas, restaurants, coffee shops and retail stores and can be seen as an important attempt of bookstores to directly make their way into the commercial centres of their neighbourhood. Brick-and-mortar bookstores have begun to understand the need to rediscover consumer groups and the need to

meet their demand, and they adjust their size accordingly.

## 2. Emphasising the design of spaces, creating a better place for business and ambience for reading

To attract customers' attention in an urban environment

with a rich variety of options on offer, bookstores increase their investment in how their stores and inside spaces appear to customers, moving on from the traditional image of bookshops by changing their interior design and creating a better atmosphere for commercial activity. It is obvious that brick-and-mortar bookstores attach more importance to interior architecture and design than ever before, with some of them even finding opportunities to open shop in ancient buildings, religious places and landmark buildings.

We found that in many cities, new bookstores are no longer designed as places where merely books are sold, but rather as imaginative urban cultural spaces that constantly strive to create and improve. Their interior layouts are planned carefully and rationally, incorporating props for the display of books and other products that are both of high quality and practical use and matched with appropriate lighting. Some bookstores view this as a form of entertainment they provide for their patrons. They include areas where customers can read and rest, providing coffee and other refreshments. The logic behind this is easy to understand for consumers; one sits down and reads a book, drinks a cup of coffee and idles away - a reflection of the unique charm of bookstores as an integral part of urban life.

A large number of bookshops that have completely done away



with traditional concepts of how to design a space have been named “most beautiful bookstores” or “influencer bookstores” (网红书店) by the Chinese media and public. A part of the media is even convinced that attractiveness is a standard configuration of newly opened bookshops. If they are not beautiful, then consumers will certainly be unwilling to visit them, which in turn invites the question of how these bookshops could possibly survive otherwise. This opinion serves as an affirmation of the efforts in designing space and atmosphere as well as a reminder to those bookstores whose image and format are still comparatively traditional, that they are left with few other opportunities.

### 3. Dedicated event spaces let the public take part in reading activities

In recent years, bookstores in China have generally reserved a part of their space for events. Even small bookstores try to provide multi-purpose areas, which is something that is not as often seen in other countries and regions.

These event spaces can be closed or semi-closed, designed as a level ground or raised levels, providing a space to read and rest during the times when no events are taking place, or rented out to outside parties in need for a space to hold an activity.

Bookstore operators believe that although this kind of space does not directly generate sales,



Dujiangyan Zhongshuge (都江堰钟书阁) won the US Architizer “A+ Awards” in 2021 (Zhongshuge (钟书阁) is a Chinese bookstore chain that falls into the category of “influencer bookstores” that have become famous thanks to the Internet and Social Media)



Songshe Bookstore (松社书店), a privately run landmark bookstore in Zhengzhou, Henan, opened in 2014 and has held more than 600 events so far

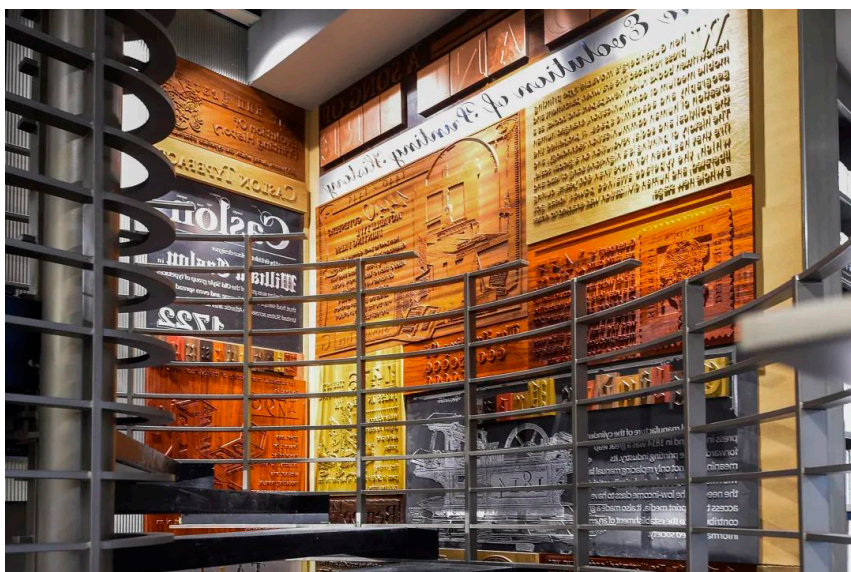
it provides a service for its patrons, and events can serve as a means of attracting customers, rather than passively waiting for these consumers to find their way to the store. The events they organise include some that are

closely related with books, such as writers’ signings, speeches, meetings of local book lovers, as well as activities where books are read and discussed. Furthermore, they also include other activities related to culture, such as





Winshare Jiufang (文轩九方) BOOKS event area



Sisyphes headquarters concept store Winwill Books (闻闻书店), opened in 2021  
(Sisyphes 西西弗 is a well-known bookstore chain in China)

drama and theatre, exhibitions, training courses and organised DIY activities. As long as it is conducive to attracting customers, bookstores are willing to hold activities, both on their own as well as in cooperation with other partners with relevant resources.

Bookstores have also become a popular venue for enterprises and institutions to organise internal activities and even product launches, all of which can provide the bookshops with additional revenue.

#### 4. Focus on the quality of books, improved operation and management

Reading books has been a respected matter since ancient times and throughout all levels of Chinese society, which believes that reading can change your fate and provide opportunities, for example to become wealthy. Some bookstores have chosen their names accordingly, that is, from classical works of literature: Fang Suo Commune (方所), Shijianlu Bookstore (时见鹿), Fenglinwan Bookstore (枫林晚) are all examples of this.

When it comes to book publishing, China is a major player. The largest bookshops have the ability to display around 300,000 titles, which is roughly equivalent to the number of all of the books published within the last two years for retail. Most stores, however, display a number of titles that is in the tens of thousands. From a certain point of view, this is what constitutes a disadvantage for physical bookstores as compared to online commerce - the latter's ability to display books is unlimited, at least theoretically. Choosing titles out of hundreds of thousands of possible publications with consumers' demand in mind and curating a selection is difficult; it is a type of work that can be based on subjective judgment or conveniently based on information technology.

Some large bookstore chains such as Sisyphes (西西弗) have established their own systems

of selection and evaluation, by which only products are chosen that fit with their stores and sales channels; another method they employ is to order customised products from the publishers and then sell them on a basis of exclusivity. As these calculations are grounded in accumulated sales data, bestsellers and new releases become a main focus. Sisyphe has been coined as a representative of a Chinese “efficient commercial chain bookstore”, while the Xinhua Bookstore chain emphasises the provision of a selection of titles as complete and diverse as possible as a general service for customers. There are also some independent bookstores that base their selection on their own preference, which makes for a more “personal” style of the store.

Focusing on a selection of books with high quality is an important aspect of overall improvement of management. This is true for now as much as it is for the future; customers will eventually stay and buy something, from a cup of coffee to, maybe in the end just before they leave, a book that they have secretly admired.

All these measures have played a positive role in getting consumers back into bookstores, as readers’ experience greatly improved in recent years. They could not, however, completely offset the impact that e-commerce platforms had on the business of physical bookstores. Open Book’s data released in the first half 2021 shows the discount rates for

books of e-commerce platforms to be as high as 48%, not including some major factors such as time limited promotions like e.g. additional discounts granted by JD.com on June 18th and Taobao’s discount on “Singles’ Day” November 11th (both of which amounted to deductions such as 200 CNY per every 300 CNY worth of purchase).

Only two years before that, discount rates stood at 38%. These low price strategies of the online platforms are highly effective and immensely attractive not only for consumers, but even for small and medium sized brick-and-mortar bookshops, as the purchase prices of these books even undercut the base prices available for smaller stores. This creates a dilemma: Bookstores are either forced to sell books at the same low prices, or restrict their services to a clientele that is not price sensitive. In the first case, their gross profits will effectively trend close to zero or even result in a loss; in the second, their potential customer group is greatly narrowed, which, again, makes it difficult to earn back the basic costs of operation.

### **3. Continuous exploration of modes of survival and profit-making for brick-and-mortar bookstores**

In spite of efforts to improve services, ambiance and management, the current situation forces bookstores to further explore new models to survive and generate profits and to find a path to

follow that is suitable for their specific business. Furthermore, in recent years, outside capital which leans towards the influence of cultural branding has entered the industry. This combination of internal probing and external resources has pushed bookstores into an environment of continuous change.

#### **1. Bookstores introduce products, formats and services related to consumers’ lives**

In China, books are not only viewed as reading material, but can be rather effectively associated with any other type of business – a characteristic that has been capitalised on extensively. “Books connect (to) everything” has become a starting point for new bookstores as far as planning for content is concerned. Aside from traditional book products, coffee and tea have become staple items, encompassing not only a product for consumption, but a larger concept of areas for reading and resting inside of the store. Stationery, cultural and creative products as well have made their way into many bookstores, as they satisfy a demand created by young people and students.

Fang Suo Commune (方所书店) opened shop in 2011 in Guangzhou, displaying and selling its own brand of clothing inside the bookstore. Since it was a bookstore opened by an apparel company, this did not seem at odds at all and to a certain extent, the classy look of the bookstore





Women's clothing and apparel section in the Guangzhou store of Fang Suo Commune (方所广州店)



Art section in the Guangzhou store of Fang Suo Commune  
(Fang Suo Commune is a famous bookstore chain in China)



Listen bookstore (鹿森书店) founder He Peng manages a coffee brand and grafted his experience and business philosophy gained in the F&B industry into the physical space of his bookstore

felt in line with the style of the clothing brand. Fang Suo also offered creative and lifestyle products imported from Japan, Europe and the US to attract young middle-class customers. In a Chinese first tier city such as Guangzhou, this approach has proved to be successful.

Some bookstores try to incorporate restaurants into their space: Wuhan's Beyond Book Story (物外书店, a bookstore created by a real estate company, often termed "most beautiful bookstore" by netizens), Kids Winshare (文轩儿童书店) in Chengdu and Listen (鹿森书店, a landmark type bookstore in Fuzhou, Fujian) are all examples of this. Reasonably priced food and drinks provide consumers with convenience and increase the length of their stay, which in turn can increase the possibility of making a sale. Yan Ji You (言几又书店) has attracted outside business from the lifestyle sector into its large flagship store, including, amongst others, a hairdresser, furniture, apparel and handicraft. A number of small and medium-sized bookstores offer content that lets customers experience fine arts/painting and handicraft, which is popular with families and young consumers.

There are also bookstores that lease parts of their space to other businesses with products matching their own target group. Others reduce their sales area on lower levels in return for carefully designed areas on higher floors, which is a simple, direct



and effective way of reducing rental cost to subsidise operating cost.

If the goal is to turn a bookshop into the kind of “third space” customers will love to use to hang out or work, offering only books is not an option, not just because of the demand created by customers, but also as a general choice of how to make business. The most fundamental difference in management between bookstores of today and in the past is that between managing a single entity and running a diversified business.

## 2. Focus on developing business with B2G and B2B customers

An old Chinese saying proclaims that “Everything is inferior, only reading and learning is of high value”. In Chinese culture, since ancient times, the respect for reading and for scholars and people that read has resulted in a high degree of trust that is put in practitioners of this industry. As brick-and-mortar bookstores enjoy a positive image within society, government departments, social organizations and companies, too, hold the services provided by them in an equally high regard. This in turn enables them to great advantage to develop highly profitable B2G and B2B business outside of the traditional B2C channels, even though this kind of business involves an even higher degree of trust and demand on their level of service.



Tongling Xinhua Library Store (铜陵新华书店图书馆店) opened in December 2015

B2G business is mainly reflected in the provision of public cultural services according to the specific requirements of government departments; services for organisations involved in education and party building; management of the operation of cultural spaces for government departments; organisation and execution of local cultural festivals and the carrying out of the distribution of teaching materials in primary and secondary schools, amongst others.

In recent years, advocacy for nationwide reading has been featured in government reports numerous times. This policy has provided bookstores with a basis to expand their business with government bodies (B2G). For instance, on top of a simple relationship of buyer and seller, libraries and bookstores have found new ways of cooperating:

In May 2014, Inner Mongolia Library (内蒙古图书馆) entered into a cooperation with Inner

Mongolia Xinhua Bookstore Books Building (内蒙古新华书店图书大厦) and other bookshops on an innovative project called “Cloud Services”. The library allocated a certain amount of their funds for books purchases to this project, allowing readers to choose titles they wanted to read in designated bookstores. Following only a few simple steps of procedure, the cost for these titles was then born by the library, while the readers could take their purchase away immediately and return it to a drop-off point at different branches of the library afterwards - an innovation that was quickly taken up by other libraries and bookstores across the country, highly popular with readers all around and subsequently termed with the catchphrase “You (libraries) pay for what I read”. Currently, there are more and more urban libraries that start to adopt this service model.

Tongling Xinhua Bookstore (铜



Fu Lei Library (傅雷图书馆)

陵新华书店) in Anhui Province cooperated with Tongling Library (铜陵图书馆) to move and open their bookstore upstairs of the library, becoming the first combination of Library + Bookstore in China. At the beginning of 2016, this news was published on the front page of the authoritative People's Daily with an accompanying large size photograph and a description that ran as follows: "This bookstore combines exhibition and performance, a space for art and culture, cultural and creative commodities with the business of books and audio-visual products to create a complete experience, brimming with an atmosphere of culture and arts". Within the industry, this piece of news was interpreted as an encouragement of the government to assist with the innovation of traditional bookstores. Drawing inspiration from this, Anhui Xinhua bookstores as well sought cooperation with the Municipal

government of Lu'an, taking over the daily management of the new Lu'an library (六安市图书馆). By way of paying fees for the rendering of cultural services, the government's remuneration was sufficient to cover the operating costs of the bookstore inside the library.

Not only state-run, but privately run bookstores too have actively explored the B2G business to a profitable extent. Dayin Book Mall (大隐书局), a Shanghaiese bookstore brand, built a studio styled after a Shanghai study room to propagate local culture with support from the relevant government departments. It has also been involved in various ways with the second largest library of Pudong district, the Fu Lei Library (傅雷图书馆), carrying out the general planning, interior design, curation/content organisation and book selection as well as the on-site management of the library. It has also opened a bookstore on the first floor

of the library, where it sells books and stationery and provides catering services. This is also the first "late night study" in Shanghai open to the public 24 hours a day.

**At the B2B level,** some bookstores try to combine the distribution of college and technical/vocational secondary school textbooks with the creation of campus reading rooms. Beiyue (倍阅书店) - a well-known campus brand in China created by Hubei Province's Xinhua Bookstore - operates on the basic idea that its bookstores and their ability to manage a space can provide a comfortable venue and services for college teachers and students to consume culture. In exchange, however, the school needs to hand over the business of distribution of teaching materials required by its students to the bookstore. Some bookstores create cultural spaces or plan activities for social enterprises and institutions, one example of which is Xinhua Winshare (新华文轩) in Sichuan, which provides overall solutions for entities including interior design, book selection and event organisation. There are some bookstores, such as Hangzhou's Fenglin Wan Books (枫林晚书店), which caters to Internet companies such as Alibaba, that try to enter the market of training and education, cultural development, the development of culturally related gifts and products, quality-oriented education and training for employee's children.

These businesses need books as products just as much as they need to provide services with a high level of quality that are based on trust and a professional understanding of the relevant content. Bookstores actively expand this part of business so that they can avoid a price war with online bookstores and generate sufficient profits. That is why they are involved in an ongoing process of validating the feasibility of these business methods. The difficulty posed to them has become a way to show their professional abilities and to gain trust, obtain further business and develop other sources of profits, which might enable them to stay in business in the long term.

### 3. Reverse customisation of core products and the road to independent price control and differentiation strategies

In the past two years, finding effective models to induce incremental change has become a common demand on physical bookshops in order to differentiate themselves from online shops and avoid the pressure resulting from low prices. A part of those bookshops has put their energy in working on their core products - books. Provided they have an already existing, extensive base of users and readers, producing customised titles using their knowledge of market demand and content allows for a unique range of products and a firm control of pricing.



Beiyue Bookstore (倍阅书店)

As for reverse customisation of book products, there are three models: **Firstly, customisation of the design of binding and layout.**

This approach is also one that is relatively easy to execute for the larger majority of bookshops. For example, Sisyphé's custom made book *The Moon and Sixpence* was edited and translated by Yilin Press (译林出版社, a comprehensive publishing house with a focus on world literature and one of the most influential publishing brands in China), while the Sisyphé team was responsible for the book cover design. The book garnered a remarkable response and Sisyphé went on to produce other customised titles such as *I am a Cat* and *The Little Prince*. Another example is the customised Story House series and *The Holy Book of Parenting* published by Shandong Little Dolphin Media (山东小海豚文化传媒有限公司, a subsidiary of the Chinese book planning, production and distribution enterprise

Dolphin Media) which by June 2020 had achieved a sales volume of 10 million CNY within seven months after its publication and projected sales of at least 20 million CNY within the year. With the profits from these products alone, the survival of Dolphin Media's bookstore International Museum for Children (海豚国际儿童之家) should not be a problem. Customisation is an approach that could work for most bookstores with a certain existing customer base. **The second approach is a re-integration of content.** Bookstores analyse and choose titles that have been published before, get into contact with the publisher and reorganise, select, re-illustrate and re-design the content to produce a new book, which is not only different from an aesthetics point of view, but also in content. This kind of work requires a deeper sense of understanding with a view to the updating of content, as well as organisation skills. Sisyphé's





Sisyphe's customised title Chinese Mythology (《中国神话故事》)

customised Chinese Mythology (《中国神话故事》) published by Zhejiang Juvenile & Children's Publishing House (浙江少年儿童出版社, a specialised publisher catering mainly to children and young readers) has achieved sales of 40,000 copies since its launch in 2020. **A third approach is the comprehensive curation of new titles.** The bookstores select topics and, either with their own editorial staff or in collaboration with the publisher, complete the design, organisation and editing of content, printing and publishing of the book, with the final distribution and sale of the book being left to the sole responsibility of the bookshop. This model poses a relatively high threshold for bookstores and requires a large amount of expertise regarding readers and content, but once they have mastered this model, bookshops can greatly enhance the uniqueness of their own products. At present, this approach is mainly found with

some bookshops with a “publishing gene”, such as Poetic Books (小众书坊) and JIC Books (建投书局), which to a certain extent could be called a sort of “prototype” for this method.

The customisation of books is similar to the current creation of own brands by various platform providers: In recent years, J.ZAO (of JD.com), Lifease (of Netease), Xiaomi Youpin and Jiwu (of Suning) have drawn attention from consumers employing a concept of self-branding, own products, independent design and the promise of value for money. Another example of this approach is the US streaming platform Netflix entering the market for original content and “attacking” traditional TV platforms with high-end, self-produced dramas such as House of Cards and Marco Polo, as well as Walmart with its own brands Great Value and Marketside raising the demand on its suppliers choosing “the best from the best”. What these

platforms have in common is that they tailor content or products to their own positioning and market demand, control all aspects of production, emphasise platform autonomy and satisfy consumers' pursuit of quality services.

#### 4. Cooperation and exploration among capital investors and brick-and-mortar bookstores

Capital investors are directly entering the bookstore industry as well as supporting the construction of bookstores in various ways, creating new cultural brands and gaining distinctive cultural influence.

The real estate industry is one of the early examples for capital investors partnering with bookstores. Chinese real estate developers have never been shy about investing in sales offices, with the best decorative materials and elaborate show homes as a way to reflect the standards of the entire project. In recent years, turning the sales office into a bookstore space has become the latest attempt to create a cultural space, with the bookstore taking on the role of raising the cultural profile of the sales centre.

Eslite (诚品), a leading bookstore brand from Taiwan, has made dependable returns on its real estate development business. At Suzhou Industrial Park (SIP), Eslite developed an urban complex, the largest profits of which result from the sale of the residential part of the tower, apart from running bookstores

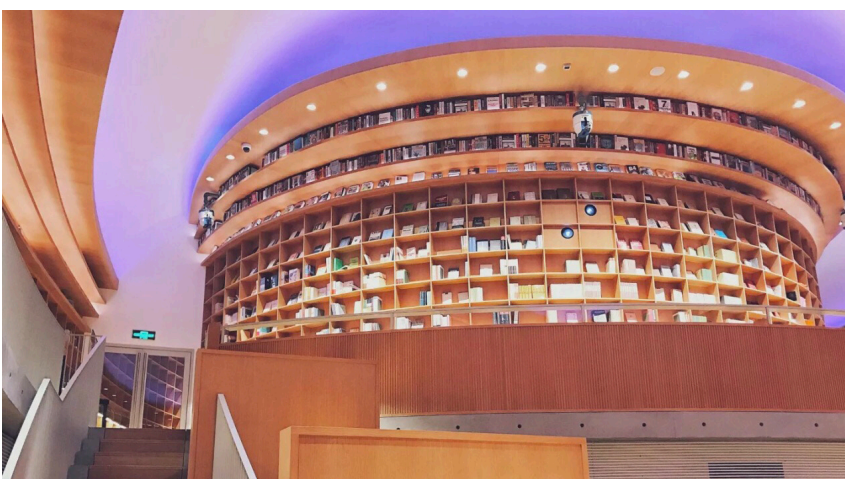
and businesses. Because of the high quality of the project, the price of the residences has remained amongst the highest in SIP. This leaves Eslite with almost no remaining cost for the 60,000 square meters that they run themselves (bookstore and retail). This is one of the most vivid and demonstrative examples of a bookstore brand creating value, even from a global perspective, although it has to be said that there are not many cases like this.

Nanjing's Golden Eagle Group (the first foreign-owned group in Nanjing), whose main business is running department stores and shopping centres, has created its own bookstore project called "G-SPACE". The bookstore chain Fangsuo Commune (方所书店) has started from the clothing brand Exception de Mixmind, with its latest and largest bookstore soon to be opened in Pudong, Shanghai - their first bookstore is said to have been established with the funds originally allocated to TV advertisements; clearly, the publicity it garnered by opening the bookstore far exceeds any effect the advertisements could have had. In a similar vein, its high-end womenswear brand has opened a dedicated book space in its shops, reflecting the brand's distinctive ethos.

Some state-owned developers of commercial complexes are also exploring similar methods. China Resources Group (a 2020 Fortune 500 company whose main business includes consumer goods



The success of the project Eslite Suzhou (诚品生活苏州店) is reflected in the bookstore, as well as the commercial and residential development (Eslite is a bookstore brand in the Chinese region with a complex business model focusing on cultural creativity)



"Light Space" Xinhua bookstore (上海光的空间新华书店), created by the famous Japanese architect Tadao Ando

manufacturing and distribution, real estate and related industries, infrastructure and utilities), for example, has opened a new cultural space called "Yan" (前檐) in Shenzhen Bay The MixC shopping mall, and COFCO (China's largest grain, oil and food import/export company and food processing company) has opened a new cultural space called

"DOCK" (度刻) in Beijing's Chaoyang Joy City shopping mall - and as a standard rule, all of these cultural spaces come with a brick-and-mortar bookstore. In Shanghai's Aegean Place shopping mall, the famous Japanese architect Tadao Ando was hired to create the "Space of Light" bookstore (光的空间), which is operated by Xinhua Bookstore.



Shijianlu Bookstore in Jiefang Park (时见鹿解放公园店), opened in 2021

Vanke Group, a leading real estate group (one of the top 500 private companies in China in 2020), has opened a chain of public libraries called “Xiaosong Library” (晓书馆) in Hangzhou, Nanjing and Beijing, and has also partnered with Japanese bookstore Tsutaya Books in Shanghai, making it a part of its Columbia Circle complex. Zhuhai-based Huafa Group (one of the top 500 Chinese enterprises in 2020, with urban operations, property development, financial industry and industrial investment as its four core businesses) has created the Readzone bookstore brand (阅潮书店), which is available in all of its property developments. Shaanxi’s property developer Maikē Group (one of China’s top 500 private enterprises in 2020 and a comprehensive commodity financial services provider) has become an important partner of Tsutaya Books in the Western region, with a branch of Tsutaya located in the Maikē Centre in

Xi’an.

Hubei’s Wuhan shows a remarkable dedication to its bookstores. The NewBeacon Group (a chain of companies whose core business is investment, operation and management of mid- to high-end boutique hotels) has been working in the hotel business, but in recent years they have created the Shijianlu bookstore (时见鹿书店) brand with several branches in Wuhan, all of which were opened in special locations such as inside public parks. And when property developer Ren Xin Real Estate Group constructed a shopping centre, they took a liking to the example of Fangsuo Commune and decided to create a bookstore brand of their own; with the help of the previous designer and collaborator of Taiwan’s Eslite, they established Beyond Book Story (物外书店), which of now has three branches in Wuhan.

The entry of capital investors into the bookstore industry, or the decision to partner with

one, is not only ideal in terms of financial returns alone. Partnering with a successful and tasteful bookstore brand can add cultural attributes to the investor’s original brand, gaining further recognition and trust in a competitive environment. The cooperation and investment of these companies provides us with a viable glimpse into the future of brick-and-mortar bookstores - cultural projects for the public good supported by capital investment.

#### 4. Internal and external forces driving the development of brick-and-mortar bookstores

China’s bookstores exploring different models of managing **content and profits cannot be separated from the question of support of social and economic forces, especially in the context of China’s overall stable development:**

##### 1. Governmental concerns about the development of reading habits and the business environment of brick-and-mortar bookstores

When physical bookstores encountered difficulties, following calls from the media and industry experts, the government started to pay attention to the survival and development of physical bookstores and implemented a number of measures. On 16 June 2016, the Guidance on Supporting the Development of Physical Bookstores was issued, the most influential document issued at national level



to support the development of physical bookstores to date.

Nationwide reading is now seen as matter of developing citizens' inner qualities. Libraries and brick-and-mortar bookstores actively organise various reading promotion activities around World Book Day each year, and programmes such as The Reader and Chinese Poetry Congress planned by China Central Television CCTV further promoted the popularity of the concept of "reading for all".

The focus on and support for brick-and-mortar bookstores has also reached local governments. Xi'an has created a favourable environment for the development of bookstores, with many brands entering the city to open new shops; in 2018, Xi'an succeeded Chengdu in winning the title of "Bookstore Capital of China". More and more cities are recognising that, in addition to economic development, emerging modern cities need a cultural calling card, and brick-and-mortar bookstores are an important part of this.

The new directive requires each university to have at least one campus bookstore with a variety of books and a scale appropriate to that of the university; those that do not, need to follow this requirement as soon as possible. The document also states that universities should provide concessions in terms of venue rent and utility charges, as well as support in terms of investment in facilities and equipment, so that campus



Duxiu Bookstore (独秀书房), a campus bookshop opened by Guangxi Normal University Press (广西师范大学出版社 the first local university publishing group in China)

bookstores can be built into an integrated complex with a space for book sales, reading and learning, display and exchange, gathering, leisure, and creative activities. With statistics showing that there are over 2,800 higher education institutions in China, this is a huge market opportunity and this new policy is expected to create a whole new increment of thousands of physical bookstores.

The policy will not solve all the problems of physical bookstores, but at least it has, to the greatest extent possible and throughout society, drawn general attention to brick-and-mortar bookstores.

In early 2020, bookstores in China, like all other retail businesses, were shut down for a certain period of time because of the epidemic. The research into and evaluation of some brick-and-mortar bookstores at the beginning of the epidemic was less than optimistic, but subsequently it

was shown that, with the exception of a small number of bookstores that decided to close their business, the vast majority of brick-and-mortar bookstores did make it through this difficult phase and have recovered and even opened new bookstores since.

## 2. A wider range of people has founded bookshops, injecting new ways of thinking and ideas into the business

There is one remarkable new phenomenon: A number of founders or operators of physical bookstores have no previous experience in the bookstore industry - and cross-border thinking and business ideas from outside the industry have become another major force for change.

In 2019, a book documenting the stories of 30 independent bookstores, *The Bookseller's point of view* (《书见》), compiled by Ms. Ya Qian, a former bookstore industry practitioner and observer of independent



Duxiu Bookstore (独秀书房), a campus bookshop opened by Guangxi Normal University Press (广西师范大学出版社 the first local university publishing group in China)



Will Commune (无料书铺) at Shanghai Zhengda Plaza, opened in 2021

bookstores, was published by Gold Wall Press (金城出版社, a central-level specialist publisher). The motivation of the 30 bookstore founders for opening their shops can broadly be summarised as follows: some of the founders hoped; from the outset; to open a bookstore as a career, or felt that there was a market opportunity. Others had left their jobs to start a bookshop, including university teachers, white-collar workers and people

working in the cultural industry. Of the 30 bookshops, 19 have been open for no more than 10 years, with 13 new bookshops opening since 2014, the year 2013 being a low point for physical bookshops. A second, follow-up volume of this book was published in 2020.

Prior to founding Shanghai Dayin Bookmall (上海大隐书局), Mr. Liu Jun, worked in television and media. His point of observation and thinking is very different from that of a

traditional brick-and-mortar bookstore - pragmatic but keen, he has been able to build good public relations with different sectors, capturing certain points of opportunity within the market. His bookstore is located in Pudong, Shanghai, a location which other people would have thought impossible to pull off, and still he was successful. While the area previously had only had a footfall of around seven people per hour, he spotted a potential business opportunity and used the bookshop to draw customers from the neighbourhood. A simple but effective means of doing this was by lending books to the surrounding residents, which made them come to the store at least once a week.

Zhang Xiao, the founder of Will Commune (无料书铺, a well-known bookstore brand in China, first awarded with the title "Most Beautiful Bookstore" in Zhejiang Province), graduated from the École Supérieure de Commerce de Marseille Province in France and had previously worked in the finance industry. In 2017, he founded Will Commune, which of now operates twelve bookstores. Will Commune's profits largely rely on retail, flash events and advertising, with its strength in curation providing important support for the business made with "flash events". In March 2019, Hunan Television's tv show Tian Tian Xiang used Will Commune as one of its filming locations, because of the bookstore's flexibility and speed in



fulfilling the requirements of the programme.

We should be grateful to all those who are willing to open bookshops. For different reasons, their decisions create wonderful spaces within each city.

### 3. Brick-and-mortar bookstores still need to stay in business for the long term

If opening a brick-and-mortar bookshop has become a sentimental affair, what is even more difficult is the persistence needed to keep it in business. This persistence comes at the price of continuous investment, both mental and physical, in trying to find opportunities to improve the business situation and to find ways to keep the bookshop afloat. The belief and determination of booksellers is a force that has to be reckoned with.

Atic Books (蔚 蓝 书 城), a private bookshop from Wuqiang County, Hebei Province (a county-level, privately managed bookshop), saw the opportunity for development in Hengshui, a city one tier higher up and renowned for its good track record of results of pupils' college entrance exams. They opened a new bookshop brand in a local shopping centre called Zhiwai (之外书店), and a complementary cafe brand Ruyue Cafe. This 300 square metre bookshop was the dream of its owner, Cheng Yonghui, who has been in the bookselling business for 17 years, and it represents his expectations for the future of



In December 2019, Zhiwai (之外书店) opened for business



Slowtime (慢书房) in Suzhou

brick-and-mortar bookstores. For physical bookshops, China's third, fourth and fifth-tier cities do still hold market opportunities, and Zhiwai will be opening a second branch in the city before the summer of 2021.

In the old town of Suzhou, there is a well-known privately run bookshop called Slowtime (慢 书 房). Originally founded by a manager of an advertising agency and a teacher at Soochow University, this small bookstore

of 114 square metres is now in its ninth year of operation. Starting from 2013, the bookshop organised over 600 events with writers and scholars over a five-year period, with one or two events almost every week. The bookshop's turnover was modest, with half of the turnover relying on book sales and the other half on coffee and drinks, just enough to keep it afloat, but by no means profitable. But their persistence has paid off, as Slowtime has

become one of the first “most beautiful bookshops” in Jiangsu province with a loyal following, and the brand has given the founders the opportunity to create book spaces for other enterprises and institutions.

Founded 22 years ago with just a size of 20 square metres, Jiangsu Wuxi’s landmark bookstore Baicaoyuan (百草园书店) had already been through a rough patch by the time the internet era set in, but they decided to take advantage of the new developments. In 2013, they started a public WeChat channel for the store, which now has millions of followers across the country. Relying on their social media channel as an online platform, they published well-written articles and recorded classic writings, attracting a large number of booklovers and almost every headline article raking in a readership of 100,000+. This traffic can be turned into sales and they will be able to offer other products besides books as well, if they find this in their own interest. Baicaoyuan manages only two branches now, but with the power of the internet, they are growing and developing in a virtual space, hoping to write the future of bookstores together with their readers.

Behind every bookshop still in business, there is a story. Even though most are only 20 or 30 years old or younger, those 20 or 30 years have seen a two-fold change: the era of China’s great economic development through

reform and opening up, and the era of internet technology revolution. These brick-and-mortar bookstores will mature, and they will certainly continue to persevere.

#### **4. The development of urban commerce has provided a new vehicle for physical bookstores**

Shopping centres in China emerged in the 1990s and since the turn of the century, large commercial complexes such as shopping centres have become synonymous with urban commerce, changing the urban commercial landscape. Consumers are more likely to visit larger shopping venues to spend their money and pass the time, a spending habit that is consistent with that of American consumers more than a decade ago. The choice to open bookstores in commercial complexes has become a ubiquitous phenomenon, and in every city there are opportunities to see privately run bookstores as well as state-owned Xinhua bookstores in new shopping centres and established commercial complexes.

Some visionary bookstore managers, such as those of Sisyphé and Yan Ji You, have seized this opportunity to create iconic brands in shopping centre bookstores. To date, Sisyphé runs more than 300 physical bookstores in over 70 cities across China, and Yan Ji You is following suit, speeding up their expansion.

It is an open secret that brick-and-mortar bookstores with well-known brands can receive preferential treatment from

the landlords in commercial complexes, which includes lower rents or subsidies for space decoration. Owners understand that bookstores are struggling to make a profit, but they need the specific footfall that physical bookstores can generate. Given the need for a differentiation in positioning that commercial complexes face, they have to be willing to offer favourable terms to these bookshops, whose brand value becomes a direct tool of monetisation. How long this will hold true, however, remains to be seen.

Brick-and-mortar bookshops were once known as “a bright light in every city’s night sky”, a symbol of the role of books and knowledge in guiding humanity. In China, they have become more than just a “bright light”; a large number of them have turned into cultural landmarks, loved by local residents and sought after by tourists and travellers alike. A typical example of this is Page One, located at Beijing’s Qianmen. The publicly listed Chinese publisher Thinkkingdom (新经典) acquired the rights of this Singaporean bookstore chain to use its brand and storefronts in China. President Xi Jinping’s wife, Ms Peng Liyuan, hosted the wife of the President of Finland, Ms Jenni Haukio, with a session of music and poetry and a tour of this new modern bookshop in a traditional Beijing-style neighbourhood.

The various explorations and ongoing changes of China’s



brick-and-mortar bookstores are underpinned by the love and respect of society for books and bookstores, the appreciation of reading and the dissemination of values, reflecting confidence in the integration of culture and commerce and the fruits of the growth of cultural consumption brought about by China's economic development. "Keep the bookstores open" is not just a slogan, but also a sign of respect towards the perseverance of physical bookstores and the laws of the market economy. China's brick-and-mortar bookstores strive hard to create room for imagination for the future of bookselling.



Page One bookstore at Qianmen, Beijing, opened in 2018

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#### About OpenBook (<http://en.openbook.com.cn/>)

OpenBook, established in 1998, is a research and consulting company focusing on trade books in China.

OpenBook is also the founder of the monitoring system which contains the most comprehensive sales data of retail books.

- Tracking and monitoring the sales of trade

books since 1998.

- Coverage includes approximately 60% of the total Chinese market including more than 13,000 physical and online bookstores.

- Daily and weekly updates.

Currently, OpenBook's Monthly Bestseller Chart is the most authoritative one in China.

#### About Jiang Boyan LLC (<http://boyanllc.com/>)

Jiang Boyan LLC is founded in USA.

In 2017, Openbook established an international strategic partnership with Jiang Boyan LLC to carry out international business, focusing on the import and export of Chinese and foreign books and hence the exchange of culture, and assisting authors and publishers for business opportunities on translation, printing, publishing and distribution, IP operation and investment in the worldwide.

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