BIZ PEKING
Buchinformationszentrum

THE CHINESE BOOK MARKET

/ The goal of this report is to offer an overview of Mainland China's book market with German-speaking readers in mind.
/ The Chinese book market is complex and changing rapidly, just like the country itself. As a result, we cannot guarantee the accuracy or thoroughness of the data.
/ Our report is based on information available to the public, our own research, observations and in-depth exchange with industry representatives.
/ Since we last updated the report in 2014, we have received a lot of feedback from readers. Thank you for your attentiveness! Your comments and questions are always welcome (info@biz-beijing.org). Our next update is scheduled for spring of 2016.
/ If you are planning to quote from the report, please credit the German Book Office Beijing and include "The Chinese Book Market 2015" as the title. Please notify us if you plan to quote extensively from the report.

Part 1: Publishing landscape

Merger of regulatory authorities

The highest institution in the Chinese publishing sector is the State Administration of Press, Publication, Radio, Film and Television of China (SAPPRFT)in Beijing, which answers to the State Council. In March 2013, the state administration for press and publication (GAPP) and the state administration for radio, film and television (SARFT) were merged to form a single media regulatory body. This is one element of the institutional reform and change of role of the State Council that is meant to deepen the reform of cultural institutions and optimise their resources. Some experts are of the opinion that merger was completed in order to offer incentives for the formation of larger, more powerful crossmedia groups.

On provincial and prefectural levels, the SAPPRFT is represented by local branches that all follow the same internal structure. The main tasks of the SAPPRFT in the field of publishing include, for example, developing a general plan for the national publishing sector, enacting ordinances, supervising and assisting the implementation of these regulations, consideration and authorisation of applications for founding new publishing houses and printing and distribution companies, as well as surveillance of imports and exports. Like other media sectors, the publishing industry is also under the direct control of the the Publicity Department of the Communist Party of China.

Segmented publishing landscape

The Chinese book market has seen great changes over the last 20 years. Compared to the

1980s and 1990s, the Chinese book market is much more open today. Nevertheless, the publishing industry remains one of the most state-controlled industries in China. The publishing landscape consists of two types of publishing houses: state-run and so-called privately run publishers.

China is currently home to 582 official publishers, all of which are state-run. The number of official publishers has basically remained consistent, as the founding of new publishing houses is bound to an extremely strict application procedure with the relevant head office, SAPPRFT (State Administration of Press, Publication, Radio, Film and Television of China). The centre of publishing is Beijing. More than 40% of Chinese publishers are located in the capital, with Shanghai ranking second – falling far behind Beijing with only around 7%.

Among the 580 state-run publishers, one can discern two levels of hierarchy: the “central” publishers (220), which belong directly to a ministry or governmental institution, are based in Beijing and constitute the highest rank (e.g. the Foreign Language Teaching and Research Press, Commercial Press, People’s Publishing House). The “regional” publishers (360) are located on provincial levels and, but for a few exceptions, are based in the provincial capitals (e.g. Hunan Fine Art Press in the Hunan province, 21st Century Publishing House in the Jiangxi province, etc.). This historically based structure will influence market relations a great deal in the years to come.

In the past, every province was assigned one publishing house each for specific topic (e.g. politics and law, education/pedagogy, literature, art, science & technology, children’s and YA books), whereby the focus of any publishing house is officially determined. During the transformation process, these restrictions were relaxed. This is also the case for “central” publishing houses. Chemical Industry Press (化学工业出版社), for example, is among the market leaders in the field of how-to books, China Machine Press (机械工业出版社) publishes very good economics books and the children’s books of the Foreign Language Teaching and Research Press (外研社) sell extremely well.

Up to today private publishers are officially banned and no official statistics exist on the number of private publishing companies. However, the number of quasi-private publishers working under the name of a “culture agency” has grown steadily in the past few years. They publish under ISBN numbers that they do not own, which have become a black market commodity traded between private and state-run publishers. In other words, private publishers are forced to “collaborate” with state-run publishers, and each book is released under the name of an official publisher. Private publishers play a crucial role in the Chinese market and exhibit a great deal of professionalism and market savvy. Even the SAPPRFT tries to make use of the private publishing companies’ productivity. Since 2010, the cooperation between state-run and private publishers is no longer limited to the ISBN trade: state-run publishing groups often acquire important private publishers or hold shares in them (e.g. Boji Tianjuan, which was acquired by the China South Publishing and Media Group). According to OpenBook statistics, the top five private publishers in the field of trade

publications are Booky (中南博集天卷), ZZBW (天津中智博文), Xiron (北京磨铁), Readinglife (新经典文化) and Dolphinmedia (海豚传媒). Their publishing catalogues focus primarily on the fields of literature, psychology & self-help and children's books.

A number of big international publishing groups already operate subsidiaries or representatives of different sizes and forms in China (e.g. Pearson, Reed Elsevier, Thomson, Wolters Kluwer, Bertelsmann, Hachette, McGraw-Hill, HarperCollins, Springer, Oxford University Press).

The publishing industry is still not as open to foreign investment as distribution and print services are, but even here there are now several opportunities for international collaboration, including one-time cooperation (e.g. co-productions and co-editions of individual titles, especially in the field of scientific publications), long-term cooperation (especially with periodicals), or joint ventures, in which the Chinese hold the majority share. Publishing activity may not be listed on the official joint venture business licence, but it is effectively possible on the same level as a "cultural agency" (e.g. the JV Hachette/Phoenix and the latest JV MairDumont/Beijing Publishing Group). For several years, Chinese publishers, particularly state-run ones, have shown a great deal of interest in launching joint ventures with international partners.

Transformation process

China's entry into the WTO in December 2001 had a deep, long-term impact on the cultural industries. Reforms in the cultural sector began to take effect in 2003. Thanks to them, hundreds of former government departments – publication houses, theatres and the like – were converted from public institutions into commercial enterprises that operate and work according to the rules of the market. To help the public publishers remain competitive – both with private and international publishers – the Chinese government adopted two specific measures: firstly, several publishers were merged to form publishing groups in the hope that they would increase competitiveness through a better use of resources. Today there are 32 such publishing groups. Secondly, it was determined that the publishing sector should become more market-orientated. To achieve this, the Chinese state-run publishing houses were gradually transformed into commercial enterprises by the end of 2010. With the exception of a few public publishers (focused on politics and ideology, national minorities and the disabled), this transformation from public institution to commercial enterprise applies to all Chinese
state publishers. The first phase of the restructuring took eight years (2003-2010) and served as the foundation for future reforms.

During the transformation process, the publishing groups and the individual publishers received generous subsidies. They profited from fiscal assistance – to name just a few examples, they received property at very low prices, large bank loans and permission to request an IPO. Restrictions were relaxed, e.g. with regards to the number of available ISBN numbers and specific programme focuses. The publishing groups were allowed to diversify

their business and expand into real estate, tourism, hotels and retail. Following the transformation process, the publishers would no longer receive financial assistance.

Eight publishing houses have since been listed on the stock exchange. An additional round of IPOs is coming up in 2015/16. Many publishing groups are extremely focused on going public and on strategies that will enhance the company's assets.

Publisher ranking 2014

Top 10 Chinese publishing groups (32 publishing groups in total). Overall ranking based on operating income, operating assets, book value of the company, total profit:

1. Jiangsu Phoenix Publishing & Media
2. Hunan Publishing Investment Holding Group
3. China Education Publishing & Media Group
4. Shandong Publishing Group
5. Anhui Publishing Group
6. Zhejiang Publishing United Group
7. Jiangxi Publishing Group
8. Hebei Publishing & Media Network
9. China Publishing Group Corp.
10. Guangdong Publishing Group

Jiangsu Phoenix Publishing & Media, Hunan Publishing Investment Holding Group, Anhui Publishing Group und Shandong Publishing Group have operating revenue (prime operating revenue) and corporate assets totalling more than 10 billion yuan each, an important index for cultural policy makers.

By the end of 2014, the following publishing groups were market-listed: Jiangsu Phoenix Publishing & Media, China South Publishing & Media Group, Northern United Publishing & Media Group, Chinese Universe Publishing and Media Co., Changjiang Publishing and Media, Time Publishing & Media Group and Central China Land Media.

Top ten Chinese publishers 2014 out of a total 580 publishers based on economic results:

1. People's Education Press (Focus: Education)
2. Higher Education Press (Education)
3. Chongqing Publishing Group (General/education and trade)
4. Foreign Language Teaching and Research Press (Education)
5. Science Press (STM)
6. People's Medical Publishing House (STM)
7. China Machine Press (STM, non-fiction)
8. Jiangsu Education Publishing (Education)

9. China Light Industry Press (Textbooks, non-fiction, how-to)
10. Beijing Normal University Publishing Group (Education)

Growing market

According to SAPPRFT[1], state-run and "private publishers" published more than 440 000 titles combined in 2013, 57% of which were new titles. Combined turnover totalled 77.08 billion yuan, which would mean an increase of 6.5% over the previous year. (Source: China Publisher's Yearbook 2014).

Categories

Chinese books are officially divided into 22 categories, though publishing houses generally discern eight market segments: social sciences, natural sciences and technology, arts and literature, children's and YA books, Chinese classics, education/pedagogy, academic books, reference books. There is generally no distinction made among hardcovers, paperbacks and softcovers.

Following an analysis of retailers' sales figures on OpenBook, we can compare the development of Chinese demand in 2014 in some important categories (total percentage <100%):

Categories	Brick & mortar trade (%)	Online book trade (%)
Textbooks	25.5	7.7
Social sciences	18.0	27.8
Children's and YA books	17.7	22.0
Fiction	11.9	13.6
Science, technology, medicine (STM)	7.4	10.5
Languages	7.4	6.7
How-to books	4.7	4.9
Art	4.4	4.5

[1] These book market statistics should be treated with caution. For many reasons, like the relative complexity of the book market and the influence of the old system, China still does not have reliable and comprehensive statistics that reflect all state-run and private publishers and distribution channels. This is especially true when it comes to sales, such as the total annual sales of bookstores or publishers. Many statistics are based solely on the printed book price and not on the actual retail price.

The leading information service provider "OpenBook" offers an alternative source of data: This company gathers and examines data from Chinese book retailers in large and medium-sized cities. Booksellers participate in the study on a voluntary basis, which means that it does not come close to representing the entire market. However, conclusions can be drawn about the overall market based on the data available.

Biographies	2.0	1.6
Other	1.0	0,7

Table 1. Comparison (in %) of demand for important book categories (Source: OpenBook statistics).

Children's and YA books

The People's Republic of China currently has 30 publishing houses specialised in children's and YA books. Many other publishers also have children's and YA books in their programme. Over the past few years, sales in the children's book market have grown by an average of 7-8% per year, accounting for a 17% share of the total book market in 2012.

The publishing sector especially profits from the large and growing population. According to official numbers, China currently has around 223 million children aged 0-14 years, which represents around 16.45% of the total population. Around 16 million new children are born every year.

Textbooks

A particularity of the Chinese book market is the relatively high percentage of educational textbooks, which are not considered "normal" books, but rather regarded as a special category – just like illustrated maps. 90% of Chinese publishers publish textbooks. In 2012, 81,271 textbooks were published (including 28,363 new releases). Accounting for more than 50% of titles sold and almost 50% of combined turnover, textbooks tend to manipulate the overall picture of the publishing market. When
including the category of "learning aids" (for use outside of the classroom), educations books even make up about 65% of overall turnover. This indicates a rather unhealthy dependence of the Chinese publishing industry on educational textbooks. On the other hand, it reveals that there is great potential for the consumer market.

Bestselling titles for brick and mortar booksellers 2014[2]

(Source: OpenBook)

	Title EN	Title CN	Author	Publishing House
1	Charlie IX & DoDoMo(21)—The mysterious Kingdom in the Desert	墨多多迷境冒险系列-查理九世（21）：沙海迷国	Leon Image	Zhejiang Juvenile and Children's Publishing House
2	New sayings from Zhejiang	之江新语	XI, Jinping	Zhejiang People's Publishing House
3	Diary of a Smiling Cat - Children from another planet	笑猫日记-从外星球来的孩子	YANG, Hongying	Tomorrow Publishing House
4	Charlie IX & DoDoMo(22) —King Solomon's Ring	墨多多迷境冒险系列-查理九世（22）:所罗门王的魔戒	Leon Image	Zhejiang Juvenile and Children's Publishing House

[2] All translations of book titles below are unauthorised translations included for indicative purposes only.

5	The little Girl at the Window	窗边的小豆豆	Tetsuko Kuroyanagi	South Ocean Press
6	I Belonged To You	从你的全世界路过	ZHANG, Jiajia	Hunan Literature&Art Publishing House
7	One Hundred Years of Solitude	百年孤独	Gabriel García Márquez	South Ocean Press
8	The Kite Runner	追风筝的人	Khaled Hosseini	Shanghai People's Publishing House
9	Charlie IX & DoDoMo(23) —Shambhala, the End of the World	墨多多迷境冒险系列-查理九世（23）:香巴拉，世界的尽头	Leon Image	Zhejiang Juvenile and Children's Publishing House
10	Dreaming of being a Wolf King	狼王梦	SHEN, Shixi	Zhejiang Juvenile and Children's Publishing House

Bestselling titles for online booksellers 2014

(Source: OpenBook)

	Title EN	**Title CN**	**Author**	**Publishing House**
1	I Belonged To You	从你的全世界路过	ZHANG, Jiajia	Hunan Literature & Art Publishing House
2	One Hundred Years of Solitude	百年孤独	Gabriel García Márquez	South Ocean Press
3	Loneliness is not just Failure	你的孤独，虽败犹荣	LIU, Tong	China CITIC Press
4	A Good Mother is more important than a Good Teacher	好妈妈胜过好老师	YIN, Jianli	The Writers Publishing House
5	The Kite Runner	追风筝的人	Khaled Hosseini	Shanghai People's Publishing House
6	To Live	活着	YU, Hua	The Writers Publishing House
7	Diary of A Naughty Kid – Mom and Dad are not my servants	胡小闹日记-爸妈不是我的佣人	LE, Duoduo	Blossom Press
8	Diary of A Naughty Kid – Go for it! Don't lose to yourself	胡小闹日记-加油！你不可以输给自己	LE, Duoduo	Blossom Press
9	Diary of A Naughty Kid- I will be rich	胡小闹日记-我将来是个有钱人	LE, Duoduo	Blossom Press
10	Diary of A Naughty Kid- No way I'll study for the sake of my teachers and parents	胡小闹日记-绝不为老师和父母读书	LE, Duoduo	Blossom Press

China's wealthiest authors 2014

(Wu Huaiyao has been compiling this ranking annually since 2006)

	Author	Earnings (RMB)	Age	Main work	Main work
1	ZHANG, Jiajia	19.5 million	34	I Belonged To You	从你的全世界路过
2	ZHENG, Yuanjie	19 million	59	Pipilu gives you 100 Lifes - Child Safety Encyclopedia	皮皮鲁送你 100 条命
3	YANG, Hongying	18.5 million	52	Naughty Boy Ma Xiaotiao Series	淘气包马小跳系列
4	LIU, Tong	18 million	33	Loneliness is not just Failure	你的孤独，虽败犹荣
5	JIANG, Nan	17 million	37	Flaming Heaven	天之炽
6	HAN, Han	15 million	31	My Understanding of Life	我所理解的生活
7	GUO, Jingming	13 million	32	Wind and Dust	愿风裁尘
8	SHEN, Shixi	10 million	62	Dreaming of being a Wolf King	狼王梦
9	WU, Meizhen	7.6 million	48	The Study of Sister Sunny	阳光姐姐小书房
10	CAO, Wenxuan	7.3 million	60	Grass house	草房子

China’s wealthiest authors of online literature 2014

(Source: West China City Newspaper)

	Author	Earnings	Age	Main work	Main work
1	Tangjia Sanshao	50 million	33	Douluo Continent	斗罗大陆
2	Chen Dong	28 million	33	Hiding Heaven	遮天
3	Tiancan Tudou	25.5 million	25	Great Master	大主宰
4	Er Gen	25 million	33	Sealing the Sky	我欲封天
5	Mengru Shenji	21.5 million	30	Galaxy God	星河大帝
6	Mao Ni	17 million	37	Choosing God	择天记
7	Kulou Jingling	13.5 million	33	Star Wars storm	星战风暴
8	Luan	13 million	24	Who can beat him	谁与争锋
9	Gaolou Dasha	12 million	34	Defeat the golden Prince	寂灭天骄

Part 2: Book trade and digitisation

Book trade

According to OpenBook estimates, **the Chinese book market's total retail sales** in 2014 came to some 56 billion yuan, an increase of 11% over the previous year. In addition to the retail market, there is also a market share for libraries, which, according to estimates by industry professionals, has an annual turnover of about 10-12 billion yuan. These two segments represent the entire Chinese book market, for a total of some **66-68 billion yuan**.

There are three main distribution channels: the state-run Xinhua Bookstores, private bookstores and online bookstores. Within the Chinese book market, the distribution and retail markets are now completely open to private (since 2003) and international (since 2011) involvement.

At the end of 2013, in China, a total of 9,548 distributors and 110,935 retailers were counted in the publication sector (books, newspapers and magazines, video and audio). Of these, 81.7% are private companies, 9.7% state-run companies and 0.23% foreign companies. 943,000 employees realise an annual turnover of 319.14 billion yuan in the publishing field. The state-owned Xinhua Bookstores generated 33.1% of the sector's sales, an increase of 15.8% over the previous year. Nationwide there are 764 large bookstores with a surface area of over 1000 m² (representing an increase of 21.8%) and 109 bookstores over 5000 m².

The Xinhua Bookstores are often misinterpreted to be a national bookstore chain. Today, Xinhua is just a brand, or a nominal addition to the state-run book trade. The Xinhua Bookstores in different provinces are not affiliated with each other. Instead they each have their own owners and managers. And even the affiliations within provinces have only been in effect since 2000. There has been a transition to joint-stock companies since 2003. For over 30 years, Xinhua was China's only book distribution channel. It has the advantage of having many branches distributed across the entire country and a solid economic base. Xinhua's weaknesses lie in its huge dependency on textbooks and its lack of economic operating experience. In 2013, the 10 largest bookstores were, without exception, Xinhua Bookstores. They also made up 17 of the top 20 (three were online book retailers).

The Chinese book market lacks a national distribution network. Bookstores are only in large cities, distribution networks are generally limited to provincial levels, and thus a large number of titles released by regional publishers will not find their way to the national book market. In this context, the book order fairs, a special feature of the Chinese book market, held several times a year, play a crucial role.

Compared to Xinhua, the private bookstores have significantly less space, with a few exceptions, and primarily sell textbooks. The private bookstores contribute a lot to the

cultural landscape of their respective cities and revitalise the Chinese book trade. Some of them are even considered cultural sights, like All Sages（万圣书园）, One Way Street（单向街）, Belencre （字里行间）, Sisyphe Bookstore （西西弗）, Xooyo （学而优）, Librairie Avant-Garde （先锋）, to name a few. Bookstores from Singapore (Page One) and Taiwan (Eslite Bookstore) are also popular among Chinese readers. The Beijing bookstore The Bookworm (老书虫) was founded as a combination library, bookstore and restaurant in 2005, against the backdrop of, among other things, poor availability of English-language books. It has branches in Chengdu and Suzhou and hosts an annual literature festival in all three cities. It has also announced the “China Bookworm Literary Award”, to be awarded annually for unpublished fiction by Chinese authors, and the founding of its own publishing house in Hong Kong to promote the publication and prominence of contemporary Chinese literature abroad.

In 2012 and 2013, China’s brick and mortar book trade suffered losses, similar to the developments in Europe, while in 2014 it was able to claim an increase of 3.26%. The stationary book trade is under increasing pressure from e-commerce and digitisation. On top of that they are facing rising rents and personnel costs. Many bookstores – primarily private ones – have been caught up in a wave of closures. But at the same time, new bookstores are opening that also serve as cafés, salons, spaces for cultural events or for consuming culture.

Government support plays an important role in this. From 2013 to 2017, all bookstores are benefitting from **exemption from the 13% sales tax**. In 2014, the Chinese Ministry of Finance supported bookstores in 12 provinces with 118.5 million yuan. In addition, governmental authorities at the provincial level offered a series of financial support measures such as sponsorship awards and interest and rent subsidies. As a result, the industry is currently optimistic, even though there is some criticism of the government’s slow response time.

There is no fixed book price in China. Compared to Western countries, book prices in China are relatively inexpensive, often less than a third of German book prices, especially those of consumer publications, although these have increased noticeably in recent years.

Unfortunately, there are no official statistics on this; however, according to estimates of the German Book Office Beijing, the increase could be at least 15%. Here are a few examples: Eugen Ruge’s *In Times of Fading Light*, released on the Chinese market in 2014, was sold at the listed price of 60 yuan (approx. 8.5-9 euros). End-consumers bought the title from book wholesalers for a discount of at most 10% (54 yuan) and from online stores for a 35% discount. Thomas Piketty’s *Capital in the Twenty-First Century* was available as a new release in 2014 at the listed price of 98 yuan, and Brandon Stanton’s *Humans of New York* as a new release in 2015 for about 88 yuan. The price increases are expected to positively impact foreign publishers’ revenues from rights sales to China.

Online bookstores

The online book trade plays a more and more important role within the Chinese book market.

In the retail market, brick and mortar booksellers sell almost twice as much (2014: 34.3 billion yuan) as online booksellers (20-21 billion yuan). The online book trade continued to grow in 2014, though at a slower rate than before. Since 2010, growth had regularly been in the double digits.

Dangdang, Amazon and Jingdong continue to be the three biggest online book distribution platforms, accounting for roughly 50% of the market. In addition to traditional online book retailers, several publishers and publishing groups have begun to sell books through their own online bookstores. According to official statistics, there were over 500 online bookstores in China in 2014. In reality, there are actually
many more: for example, many booksellers are active on the large e-commerce portal Taobao (similar to eBay in Germany), which does not always appear in official statistics.

Online bookstores generally grant large discounts: for new books, 10-20%; in other cases, 20-40%. Price wars can lead to discounts as high as 70%. Consumers have the added benefit of an easy and convenient shopping experience and the availability of a broad range of products.

Digital reading: e-books and online literature

The market for digital reading is increasingly competitive. It has just experienced an extremely eventful and intense year, with new platforms, new market players, M&As, IPOs and closures. The number of mobile reading devices, digital readers and e-books rose sharply. On the provider side, in addition to the three major mobile communications companies (China Mobile, China Unicom, China Telecom), numerous e-reading platforms (devices and apps) are getting involved in the market, including Amazon Kindle, iReader (掌阅), Xiaomi Duokan (小米多看阅读) and Chineseall.com (中文在线), as are the three Internet giants Baidu (百度), Alibaba (阿里巴巴) and Tencent (腾讯) (frequently referred to in China with the acronym BAT).

Market data

It is even more difficult to get a hold of comprehensive and reliable statistics on the field of digital publishing than figures for the “traditional” publishing industry. The market is complex, with a bewildering multitude of sales channels; moreover, e-books and online literature are mixing increasingly on almost all platforms. Publishing informative statistics also does not seem to be in the providers’ interests.

In accordance with the “Mobile Reader” report by Analysys (易观国际), in 2013 the Chinese mobile reading market comprised 6.25 billion yuan, which corresponds to a rise of 80.1% compared to the previous year. According to the China Internet Network Information Center (CNNIC) Survey of Chinese Internet Development, at the end of 2014 there were 294 million readers of online literature in China – an annual growth of 7.1%. According to CNNIC, 242 million users used their mobile phones as reading devices.

According to the “Cloud Reading/Mobile Reading” report by NetEase, in 2014 Chinese readers consumed a total of 1.4 billion digital titles, with young readers accounting for more than half of this figure: 36.45% of readers were 19 to 25 years old, 24.49% 26 to 30 years old. Most users see mobile reading as a source of entertainment. 72% of readers prefer categories such as, for example, the “city-novel” (都市类小说, living and working in cities), mystery-fantasy (玄幻类小说) and romantic trivial-literature (爱情小说). They mainly read real online literature (web fiction) – that is, works that are primarily or exclusively available online. Online literature in this sense can be understood as a sort of never-ending dime novel in digital format.

According to the Mobile Reading App analysis by Sootoo.com, the top players in the mobile reading app market for the third quarter of 2014 were iReader (掌阅; 35%), shuqi6.com (书旗小说; 12%), QQ Reading (QQ 阅读; 9%), China Mobile cmread.com (和阅读; 8%) and xm.91.com (熊猫看书; 9%).

BAT and the concept of “pan-entertainment”

The concept of so-called **pan-entertainment** (“泛娱乐”) has been an important buzzword during the past year. This concept should be understood as the production of various forms of online exploitation (online games, online film, online music, online comics, e-books, online audio books, online video) of IP (intellectual property) content, though marketing and sales occur through various channels (PCs, mobile phones, tablets, e-book readers) with online platforms as a basis. Unlike successful examples of western cross-media such as those of Disney or Marvel, the aim is to establish a multidimensional online structure – similar to a self-contained ecosystem of sorts – of which digital reading is just a small part. Traditional publishers and a large number of authors of online literature provide the content for digital reading.

The entry of BAT (Baidu, Alibaba, Tencent) into this market is bringing about fundamental changes. Company acquisitions in the field of pan-entertainment, above all by the financially sound BAT companies, are increasing; the fight for qualitative content and authors is escalating. In China, digital publishing is facing other issues beyond the mere transformation of analogue content into digital content. Currently everything revolves around e-commerce,

hardware and technology providers, telecommunications operators, service providers and the entire supply chain.

In 2014, **Tencent** took the lead as the forerunner in this contest. The company has been active in the field of pan-entertainment since 2012. In 2014, Tencent took over **Shanda Literature** and then, in March 2015, officially opened China Reading Limited (阅文). With over 3 million titles, almost 100 million users, 2 billion yuan in proceeds and 1,200 employees, China Reading is a veritable web-fiction empire. China Reading is said to be planning to invest millions to acquire additional content and an e-book search machine. It is also not out of the question that the company might go public.

In 2014, **Alibaba** not only impressed the international capital market with its enormous IPO debut, but also continued investing in the entertainment sector. Alibaba now holds shares in, among others, Sina Weibo (新浪微博), Youku Tudou (优酷土豆), Wasu (华数传媒) and Huayi Bros. (华谊兄弟), as well as majority stakes in China Vision (listed on the Hong Kong Stock Exchange and renamed Alibaba Pictures – 阿里影业 – soon afterwards) and Enlight Media (光线传媒). With the investment platform Yule Bao (娱乐宝), Alibaba also created a crowd-funding instrument that allows small investors to invest in television and film projects: initial investment opportunities included well-known titles such as films based on the bestselling Tiny Times 3 and 4, Wolf-Totem and Chinese Idol, the Chinese version of American Idol.

Alibaba's digital publishing division, however, does not seem to be participating in this expansion. **Taobao Reading** (淘宝阅读) began its business activity in 2014. Already in December of the same year, confused readers were faced with its sudden closure. The news also came as a surprise to publishers, the e-book platform/app having received thoroughly positive ratings. The business model for VIP accounts in particular seemed comparatively innovative and promising. It is possible that the platform generated significantly fewer users or earnings than anticipated. We can only speculate as to Alibaba's motives.

Baidu only became involved in pan-entertainment somewhat later than its two big competitors, among other things through investments in the online video platform iQiyi (爱奇艺), Huace Film & TV (华策爱奇艺影业), Baidu Games (百度游戏) and Book.Baidu (百度文学). In the future, content will be adapted through Huace Film & TV. Through this company, Baidu will also be able to continue investing in film and television projects.

The motivation behind the Internet giants' various pan-entertainment strategies is the wish to satisfy their customers' multiple interests, earn the loyalty of existing customers and acquire new customers. BAT already has enormous customer groups, though the rates of growth are slowing noticeably. Nevertheless, the pan-entertainment concept offers these companies additional room for new ideas and opportunities for growth.

That said, the BAT concept is not really that new. Ultimately, Shanda Literature (Cloudary) – founded 13 years ago – can be considered the pioneer in the field. However, Shanda, by its own account the first all-media company, is gradually withdrawing from the market. Which leaves open the question of whether BAT, through large capital expenditures and the continuing spread of mobile use, will be able to implement the all-media approach begun by Shanda. Currently, Tencent seems best positioned to do so.

Authors of online literature

All platforms require market-oriented content. Currently, according to data from the Xinhua new agency, there are over 2 million authors of online literature, publishing almost 70 thousand works every year. In 2014, a list of the wealthiest online authors was published for the ninth time, with the top three places held by Tang Jia San Shao (50 million yuan), Chen Dong (28 million yuan) and Tiancan Tudou (with 25.5 million yuan in proceeds from web series, printed books, games, film and television rights). In 2014, the film rights to 115 online novels were sold. In the field of games, cartoons and animation, the sale for 50 million yuan of the animated film rights to “Choosing God” caused a stir. The acquisition for 8.1 million yuan of the mobile-phone-game rights to “Invincible Throne” and 6.55 million yuan for “Sealing the Sky” were also spectacular. What these figures clearly show is that certain authors, characters and content have developed a real fan economy, as is also apparent from the aforementioned rankings.

Kindle & Co.

For reading individual e-books, the **Amazon Kindle** continues to be the market leader. According to Amazon China, whose Kindle eBook Store has been online since December 2012, it offers 180,000 e-books, including 80,000 imported works in their original languages.

Dangdang was one of the pioneers of the e-book market, yet to date it has not achieved any noteworthy successes. Beginning in 2015, it intends to make an effort to catch up with a “three-year plan” that has four mobile apps (Dangdang Reading, Databank app, Easy Reading app, Audiobook app) at its heart.

A more successful debut was the launch of **Chineseall** (中文在线) as the “first digital publishing stock” in January 2014 with an initial public offering in Shenzhen. After Prime Minister Li Keqiang mentioned in a speech he gave in the spring of 2015 that the government planned to provide extensive support to promote reading among the entire population, the share price rose steeply. Chineseall’s greatest competitive advantage is the fact that there

have been investments in digital education. Cooperative partnerships with several local government authorities have been arranged, and platforms for digital teaching materials have been set up on a trial basis. Moreover, since July 2014, thanks to recapitalization, Chineseall is the second-largest shareholder (approx. 10%) in China Telecom's Tyread.com (天翼阅读).

Duokan (多看) is known for its high quality e-books. The company's sale to the mobile phone manufacturer Xiaomi has not produced any noteworthy results to date. For Duokan, whose e-book platform serves a niche market, entering the Xiaomi system likely represents a significant challenge.

Several publishers have also already invested – or are just beginning to invest – in digital reading apps, including Citic Publishing and Shanghai Translation Publishing. However, to date the results of these efforts remain relatively modest.

E-book pricing and fee-based digital reading

As a rule, printed new releases and bestsellers continue not to be available as e-books. This is primarily due to prices that are kept very low and widespread pirated digital copies. The price of e-books is generally less than 10 yuan, and most e-books cost less than 10% of the price of printed books. In exceptional cases – that is, for some popular titles that are expected to sell well – the fixed price of an e-book edition is roughly 30-50% of the printed edition.

There are continuous price wars, above all due to the rising number of platforms and the strong homogenization of products. All platforms offer different variations of free reading: trial reading, participation in campaigns, point collecting and other special deals.

Pirated copies continue to be a widespread phenomenon for Chinese digital publications. However, the above-mentioned platforms all take copyright protection, the sale of legal digital works and educating customers to pay for content (even if the price is minimal) very seriously. Experts estimate that the rate of legal works from ten years ago (0%) has already increased to approx. 5-10%. As the case may be, we are convinced that legal e-books will continue to grow in the coming years.#

Part 3: Book fairs, licensing trade, import & export

Exhibitors at national book fairs in the Chinese-speaking world do more than just present

books and authors. They also have clear economic objectives: rights and licensing (e.g. BIBF, TIBE), selling books to retailers (e.g. Beijing Book Order Fair), selling books directly to customers (e.g. TIBE, HK Book Fair). Due to the lack of a national distribution network in many parts of Mainland China, the sales fairs are very well attended.

The German Book Office Beijing is represented at the most important book fairs in the Chinese-speaking world, such as the Beijing International Book Fair, with the Frankfurt Book Fair's German Collective Stand. It also takes part in various other national fairs, often featuring book exhibitions.

Below, we have gathered a selection of book fairs in Chinese-speaking countries that are of interest for the international book market.

Beijing International Book Fair (BIBF)

The BIBF is China's most important book fair and it is becoming more and more of a hub in Asia. It has established itself as the leading fair for trade visitors from China and neighbouring countries. More and more exhibitors can be found there from neighbouring countries in East and Southeast Asia, and the number of Western countries in attendance at the BIBF is also noticeably high.

The first Beijing International Book Fair (BIBF) took place in 1986. Up until 2002 it was held every two years; since then it has become an annual event. It is organised by the China National Publications Import and Export Co. (CNPIEC), the largest importer of books in China. They host BIBF together with the GAPP (General Administration of Press and Publication). Every year, around 2,000 exhibitors from over 70 countries take part in the fair. The main focus is the international licensing business. The trade show lasts five days, the last two of which are open to the general public.

Inspired by the Frankfurt Book Fair, the BIBF has been highlighting an annual guest of honour since 2005. Germany held this honour in 2007 and the presentation resonated well both with the publishing industry and the general public. The guest nations in 2013 and 2014 were Saudi Arabia and Turkey respectively.

Since 2011, the BIBF has been held in a new exhibition centre far from the city centre – the China International Exhibition Center (CIEC New Venue). The new venue boasts more than eight halls, four of which are used for the book fair. The amount of space employed for the book fair in 2014 totalled 53,600 m².

StoryDrive Asia conference & exhibition

Since 2012, the Frankfurt Book Fair has organised a trade conference with an accompanying exhibition under the title StoryDrive China to tie in with the China Beijing International Fair For Trade in Services (CIFTIS). The conference, which is the first all-media

platform in Asia, explores new business models and ways to collaborate across traditional media boundaries. In terms of speakers and topics, the conference focuses on strong international and crossmedia representation, along with the key words “storytelling and storyselling”. The conference takes place in Beijing every year in May over two days and features around 30 international and Chinese speakers. Over a space of around 250 sqm, relevant companies from the publishing and other creative industries present their businesses at a type of collective stand.

In 2014, this conference and exhibition was be renamed from StoryDrive China to StoryDrive Asia and expanded to encourage exchange and transmedia collaboration among other Asian countries. The next StoryDrive Asia conference & exhibition will be held in May 2016.

China Shanghai International Children’s Book Fair (CCBF)

A book fair with a focus on children’s books was held for the first time in the ShanghaiMart Exhibition Center in 2013. Organisers include Shanghai Press and Publication Administration (SPPA), the China Education Publishing & Media Group (CEPMG) and the China Universal Press & Publications Corporation (CUPP). According to the organisers’ figures, the 2014 fair was attended by 250 exhibitors from than 20 countries and more than 8,000 trade visitors.

Beijing Book Order Fair (北京图书订货会)

The Beijing Book Order Fair is China’s largest book order fair. It is held annually in January for four days in the International Exhibition Center (old venue). Many cultural and professional events took place during the 2015 Beijing Book Order Fair, including author interviews and presentations of new book releases. The professional events are focused on aspects of the book distribution system: for example, OpenBook’s regular event focused on sales figures, turnover and developments in the Chinese book market always generates a lot of attention. The book fair offers a good opportunity to observe the Chinese book market.

China National Book Fair (全国书博会)

The first China National Book Fair took place in Beijing in 1980. It is the second most important national book fair in China. It serves both as a fair for selling and ordering books, as well as for buying and selling licenses with other parts of the Chinese-speaking world, including Taiwan and Hong Kong.

The event focuses on improving China’s contact with other Asian business partners. This consumer fair usually takes place annually between April and May in rotating cities. It was held in the Guizhou Province in 2014 and in the Shanxi province in 2015.

Taipeh International Book Exhibition (TIBE)

The Taipei International Book Exhibition (TIBE) was held for the first time in 1987 and has taken place ever year in February since 1998. It is open to trade visitors, as well as attendees from the general public. The event focuses, on the one hand, on book sales with special fair discounts and, on the other hand, on the international licensing business. At the

2014 TIBE, the Frankfurt Book Fair and the Taipei Book Fair teamed up to host the second "Publishers Training Programme".

Hong Kong Book Fair

The Hong Kong Book Fair is held annually in July for six days. This consumer show is mainly focused on the sale of Chinese-language publications and copyrights. Most exhibitors are from Asia.

Licensing between Germany and China

The Chinese market has opened up more and more in recent years. The increasing sale of licenses to Chinese publishing houses over the past few years demonstrates that there is a growing interest in foreign books, which will also lead to new opportunities for German publishers. In 2013, China acquired a total of 16,625 book titles from abroad. Of these, 5,489 were from the USA, 2,521 from England, **707 from Germany**, 772 from France, 1,852 from Japan and 1,472 from Korea (Source: China Publisher's Yearbook 2014).

In 2009, 491 licenses were sold from Germany to China, making China the second biggest licensee of German titles. From 2010 to 2013, China shifted toward the top of that list with 789/1,072/1,050/998 titles respectively, accounting for 15.4% of Germany's total licenses sold in 2013. **With a share of 16.7% (1,081), Chinese is at the very top in license sales by language**. Of these 1,081 titles, 3.2% were fiction titles (35) and 50.1% children's and YA books (548). In addition, in the Chinese-speaking world, 101 titles were sold to Taiwan and 4 titles to Hong Kong (Source: Buch und Buchhandel in Zahlen 2014).

China has always had a great deal of interest in classic German literature and works in the humanities. Germany is seen as the land of poets and philosophers. But children's and YA books are also in high demand. Contemporary German literature, however, still has a very difficult time breaking through in China, as in other countries, with the exception of authors like Günter Grass or Bernhard Schlink. Translations from the UK and USA are far more common in China. This means that German authors have to be introduced and better publicised in China. In addition, it is important to combat the preconception that contemporary German literature is too analytic and not very entertaining.

Problems with Chinese business partners

Although the Chinese market is gradually opening up, cumbersome detours through institutions and authorities can still slow down the process of doing business. For example, payments to foreign publishers may be delayed as the Chinese companies first need to apply for currency; decision making can take a long time, as bureaucratic obstacles need to be overcome time and again; sample copies may not be provided because this part of the contract is not deemed important; professional fees may be paid irregularly because of uncoordinated work processes; and the contact person on the Chinese side may change frequently. Nevertheless, thanks to the gradual loosening of state control and increasing professionalisation of the publishing sector, Chinese business

practices are converging more and more with international standards.

Copyright

From 1949 to 1991, no copyright law existed in the People's Republic of China, which is why a conscience for the protection of intellectual property has developed much later than in Germany. In addition, the significance and relevance of intellectual property were, for a long time, valued differently in emerging countries like China. It wasn't until 1990 that a copyright law was passed, which has been in effect since June 1991. The PRC signed the international copyright agreement and joined the Berne Convention in 1992. Despite several revisions, the copyright law is still not quite sufficient; pirated editions remain a serious issue that will not be overcome in the next few years. Bestsellers are hit particularly hard. But still, since joining the WTO, state institutions have been forced to take action. And at least with publishing houses, awareness has been raised to claim their due when coming across pirated editions of their own publications.

The authority responsible for the protection of intellectual property is the National Copyright Administration of China (NCAC), which belongs to the SAPPRFT. Parallel to the structure of SAPPRFT, copyright offices represent the NCAC on provincial and prefectural levels.

Import & Export

Revenue for Chinese book exports totaled US$ 52.2 million in 2013, which represents an increase of 22.7 %. Book imports to China corresponded to a total value of approx. US$ 121 million, with imports measured in terms of units rising by 15.38%, while sales in terms of revenues sank by 12.06% compared to the previous year. Book imports can be subdivided by revenue as follows: STM 26.96%, education and culture 16.58%, philosophy and other social sciences 13.54%, literature and arts 16.58%, children's and YA books 3.96%, other 22.38% (Source: China Publisher′s Yearbook 2014).

Official figures list around 40 Chinese import and export companies that are all state-run and mostly bound to administrative institutions on a provincial level. The largest company in this sector is the China National Publications Import & Export Corporation based in Beijing, with offices in Frankfurt, London, Moscow, Tokyo and New Jersey. Another six companies dominate the market:

/ China International Book Trading Corporation
/ China Educational Publications Import & Export Corporation
/ China National Sci-Tech Information Import & Export Corporation
/ Beijing Publications Import & Export Corporation
/ Shanghai Book Traders

Import demand comes mainly from libraries and institutions for scientific and educational purposes. Popular demand is gradually growing in the field of entertaining literature, which means future business opportunities look good. Nonetheless, the importance of cooperating

with Chinese import and export companies and distribution partners in order to reach Chinese consumers should not be underestimated.

Compiled by the German Book Office Beijing of Frankfurt Book Fair
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