

# General Analysis of the Publishing Industry

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## I . General Analysis

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### A. Basic Information about Taiwan's Book Publishing Industry

#### (i) Book Publishing Industry

⇒ **61.4 percent of publishers are located in Taipei City; 40.8 percent are limited liability companies; and 67.0 percent have capital value of NT\$5 million or less.**

The 2003 survey indicates that Taipei is the most popular location for publishing houses (61.4%; a similar figure to recent years).

The proportion of companies with registered capital value of NT\$5 million or less rose from 61.6 percent in 2002 to 67.0 percent in 2003, although the number of independent firms decreased, and members of groups comprised 10.3 percent, while company capitalization came mostly (98.7%) from Taiwan companies or individuals' investments. This present survey shows no significant changes in location or company structure from those found in 2000 and 2002, therefore.

#### (ii) Retail Channels

⇒ **The proportion of single-outlet bookstores and chain bookstores located in the northern region both exceeded 44 percent.**

The survey shows that 41.9 percent of parent bookstores are located in the northern area, as are 44.5 percent of single-outlet bookstores and 58.5 percent of chainstore branches. When compared to the distribution of retail outlets in

2002, this shows that there is an increasing trend for both single-outlet and chain bookstores to open in the northern area.

The Greater Taipei region also accounts for 41.2 percent of the publishing industry's market, which thus tallies with the geographic distribution of bookstores.

⇒ **Bookstore size shows bipolar development.**

In terms of operational structure, 72.0 percent of single-outlet stores are purely self-capitalized; 76.5 percent have capital value of less than NT\$1 million. In contrast, 53.8 percent of chain bookstores are limited liability companies, with 69.2 percent having capital investment of more than NT\$5 million. These figures show that Taiwan's bookstore development is at both the large and small ends of the spectrum.

### B. Multiple-operations in the Book Publishing Industry

#### (i) Publishing Industry

⇒ **66% of publishers also operate retail channels; of these, 51% operate as wholesalers or distributors.**

Of the 503 interviews with publishers that comprise this survey, 66.2 percent indicated that they also operate book retail channels, which represents a 4.2 percent decrease from the year before, although it still represents a 50.3 percent increase on 2000.

It also indicates that, of the 333 companies that operate retail channels, most common (51%) is as wholesalers or distributors. This indicates that publishers are not entirely satisfied with the services provided by out-of-house wholesalers and agents, and so have established their own distribution systems.

## (ii) Retail Industry

⇒ **Almost 54% of chain bookstores also operate on-line bookstores.**

Bookstores which also operate on-line bookstores and those which operate mid- and up-stream companies are higher among chain bookstores, representing 53.8 percent and 46.2 percent respectively. It is clear, therefore, that chain bookstores not only offer book-retailing services but also are highly involved in mid- and up-stream operations and Internet sales.

## C. Human Resources Structure in the Publishing Industry

### (i) Publishing Industry

⇒ **Almost 70 percent of publishing houses had ten or less full-time workers, although the average number of employees was around 22.**

The most common (69.2%) survey category for number of full-time staff was 1~10, with overall distribution of staff numbers showing no great differences to those of the 2002 survey. The average number of employees per publishing company was 22.1. From these basic data and the observations of personnel structure, it can be seen that publishing companies in the Taiwan

area tend to be medium- or small-sized.

⇒ **Estimate of the total number of workers in Taiwan's publishing industry (including related services) for 2003 stood at more than 26,000 persons.**

According to this survey-based research, the number of employees in the publishing industry in 2003 (who were subdivided into fulltime employees and those in related services) was estimated as 26,096 persons. If those in related services are not included, the total comes to 20,957. Estimates for 2006 (after factoring in the expected variations in overall employment market for 2003~2006) are 27,701~27,702 and 22,195~22,196 persons respectively. For details of the formula used for this estimate, please see chapter 7 of the Integrated Analysis of the Publishing Industry.

### (ii) Retail Industry

⇒ **Full-time workers at single-outlet bookstores are fewer than those at chain bookstores, but they have greater experience (years of service). Education and training are mostly by means of on-site instruction, and problems are not commonly encountered.**

Chain bookstores have more full- or part-time workers than single-outlet stores. The work experience of full-time workers at single-outlet stores averages 8.5 years, however, which is much higher than the 3.7 years found among chain bookstore employees. Nevertheless, this still represents a reduction from the average experience found in 2002. Education and training by chain bookstores was down 7.7 percent from 2002, while that of single-outlet

bookstores was up by 11.7 percent. Education and training was primarily by means of on-site instruction for both single-outlet and chain bookstores (87.5% and 92.3% respectively). Problems in education and training were infrequent, with 88.4 percent of single-outlet stores and 83.3 percent of chainstores reporting zero such worries.

**⇒ Estimate of sales personnel (including part-time staff) is almost 16,000 persons.**

The figures for book retail personnel in this report are divided into full-time and part-time employees. After expected variations in the employment market for 2003~2006 are factored in, it is estimated that 15,970 persons (including part-time staff) work in the book retail field in 2003. If rear-office service employees are not included, the estimate is 12,988 persons. The projected figure for 2006 (including part-time staff) is 18,072~18,085 persons working in the book publishing field, or 14,856~14,863 persons if part-time staff are not included. (For the detailed formula used for these estimates, please see the overall analysis of the book sales channels in chapter 8.)

#### D. Analysis of Retailing of the Book Publishing Industry

##### (i) Analysis of Sales Figures for the Book Publishing Industry

**⇒ Estimates of the sales figures for book publishing in 2003 are valued at NT\$31,730~33,777 million; this compares to NT\$39,750 million in 2002, a decline of 15.0~20.2%.**

Based on the 173 companies who responded with turnover figures for at least one of the questionnaires in the 2002 and 2003 surveys (and, if the 2003 turnover figures are not filled in, then the 2002 figure is used instead), making estimates based on the method used for valuation in 2000, and allowing a margin of error of +/- ten percent, the estimate for value of the whole publishing industry (not including retail channels) was NT\$31,730~33,777 million for 2003. This compares with the revised estimate of NT\$39,750 million for 2002, and so represents a decline of NT\$5,973~8,020 million or 15.0~26.2 percent.

The sales value of the book publishing industry as found by this study based on inquiry, after consideration of such factors as the sales rates, discount rates, sales volumes, and customer purchase discounts of various channels, is estimated to be NT\$31,697~58,038 million.

##### (ii) Sales Volume Analysis for Various Categories of Books

###### 1. Total Market

**⇒ Children's reading materials had the most titles of any category of publishing (4,415 titles), while textbooks had the highest proportion of new titles (56.4%). Children's reading materials also had the highest proportion of new editions or reprints (19.6%) and the highest total sales amount (23.1%), while Textbooks had the highest average sales quantity per title (34,907).**

The survey found that a total of 74,722,727 books were printed in 2003, representing average sales per title of 4,005 books. Sales of new editions or reprints totaled 11,370,293, averaging 1,667

sales per title. In 2003, the category with the most new titles was children's reading materials with 4,415 titles, followed by textbooks with 1,203 titles. The category with the highest number of new editions was computer/IT with 832 titles; and of reprints was children's reading materials with 585 titles, followed by computer/IT with 554 titles.

The category with the highest sales volume was textbooks with 41,992,000, representing 56.4 percent of all books sold. The category with the highest proportion of new editions or reprints was children's reading materials with 19.6 percent of titles, and the category with the highest average volume sales per title was electronic books with 5,153 volumes per title, followed by recreation and travel books with 4,696 volumes per title. The category with highest sales amount was children's reading materials with almost 23.1 percent, followed by examination books with 22.7 percent.

## 2. Textbooks and Examination Books

⇒ Among textbooks, the 1996 edition of the "Sixth Grade Schoolbook" and "Art Techniques" were highest, averaging 92,271 volumes; while for sales total amount, the "2001 Nine Years Combined Education: Grades 1-5" represented 37.7%. Among examination books, highest average sales were for the 1996 edition of the "Sixth Grade Schoolbook" with 19,631 books sold, and for sales amount, was the "2001 Nine Years Combined Education: Grades 1-5" with 27.4 percent.

The most published textbooks in 2003 belonged to the "other category" classification with 382 titles, followed by the "2001 Nine Years Combined Education: Grades 1-5" with 333 titles. The highest average number of books was for the 1996

edition of the "Sixth Grade Schoolbook" and "Art Techniques" with 92,271 volumes, followed by the "Junior High School Year Three Art Techniques" with 71,429 volumes. For sales amount, the "2001 Nine Years Combined Education: Grades 1-5" was highest with 37.7 percent, followed by the "1996 edition of Sixth Grade Schoolbook and Art Techniques" with 20.5 percent.

For examination books published in 2003, top was the "2001 Nine Years Combined Education: Grades 1-5" with 349 titles, the "Senior High School Entrance Reference Book" with 303 titles, and the "National Examination Reference Book" with 277 titles. For average sales, the 1996 edition of the "Sixth Grade Schoolbook" was top with 19,631 volumes, followed by the "2001 Nine Years Combined Education: Grades 1-5" with 12,607 volumes. For sales amount, the "2001 Nine Years Combined Education: Grades 1-5" was top with 27.4 percent, followed by the "2001 Nine Years Combined Education: Grades 7-8" with 22.5 percent.

## 3. Children's Reading Materials

⇒ Children's reading materials are dominated by children's drawing books for both sales amount (71.2%) and average number of books sold per title (4,625).

In 2003, the children's reading materials categories were dominated by children's drawing books (356 titles), with children's handbooks and encyclopedia top with average sales per title (4,625 volumes). For new editions and reprints (322 titles) and average sales per title (3,381 volumes), children's drawing books were top, as they were for sales amount (71.2%).

## E. Analysis of Sales Through Retail Channels

⇒Foreign-language books already account for more than 30 percent of chain bookstores sales, while stores selling books from China have increased since 2002.

The 2003 survey data show that 32.0 percent of single-outlet bookstores and 61.5 percent of chain bookstores sell foreign-language books, whose sales volume accounts for 17.9 percent and 31.7 percent respectively. 6.3 percent of single-outlet bookstores and 15.4 percent of chain bookstores sell books from China, both up 2.5 percent and 5.9 percent respectively from the 2002 figures.

⇒Single-outlet bookstore stocks rated 22.1 percent, compared with 16.9 percent among chain bookstores; book return rates averaged over 30%.

Single-outlet bookstore stocks rated 22.1 percent, with figures for chain bookstores averaging 16.9 percent. Book return rates were 32.5 percent for single-outlet stores and 35.0 percent for chain bookstores.

Book return rates for those publication houses returning the questionnaires were 24.6 percent, and for sales and printed volumes was 42.6 percent. For different targets and different calculation data, book return rates varied from 24.6~42.6 percent. According to the industry's own recommendations, book return rates based on retail channels' figures conform better to true market conditions.

⇒The proportion of chain bookstores offering credit card facilities and the number of their customers using credit cards were both higher than those of single-outlet bookstores. The best discounts offered by single-outlet stores were better than those of chain bookstores. Best sales results were obtained between 4pm and 8pm on weekdays, and between 2pm and 8pm on weekends and holidays.

58.7 percent of respondents said that the average value per sale at single-outlet bookstores was NT\$200 or less; while 53.9 percent of chain bookstores reported sales in the range of NT\$101~300. The best discounts offered in 2003 were 16 percent by single-outlet stores and 14 percent by chain bookstores. 31.2 percent of single outlet stores offered credit card facilities, compared to 69.2 of chain bookstores. Both types of stores had best sales after 4pm (in particular between 4pm and 8pm) on weekdays, and between 2pm and 8pm on weekends and holidays. Overall, customers spent less time shopping on weekdays.

## F. Analysis of Book Publishing Industry Concurrent Operational Channels

### (i) Entire Industry

Among self-operated retail channels, wholesalers/distributors are the largest sector (51.4%), followed by brick-and-mortar retailers (21.8%). Wholesalers/distributors are also most prominent in consignment sales with 88.7 percent.

## (ii) Textbooks and Examination Books

⇒ **Seventy-two percent of textbook revenue comes from self-owned sales channels and 75 percent of examination book sales volume is through distributors.**

Among textbook companies, the highest proportion (80.0%) use self-owned retail channels, which account for 93.7 percent of sales. Of these, school sales channels are the most common (72.2%).

Examination books rely most on intermediaries (51.9%), accounting for 76.4 percent of sales. Among consignment sales channels, most common (61.9%) is by means of wholesalers/distributors, accounting for 75.3 percent of sales.

## (iii) Discounts in various sales channels

⇒ **Most discounts are in the region of 30 percent, with the largest discount differentials on Examination books.**

In terms of discounts, most channels offer around 30 percent; textbooks generally have between 10 and 37 percent off; examination books from 10 to 50 percent; consignment sales channels are generally better than self-owned channels, consignment wholesalers/distributors in particular can find books discounted as much as 40 percent.

## G. Book Transactions and Copyright Trading

### (i) Book Transactions

#### 1. Book Imports

⇒ **Almost ten percent of respondents conducted import business in 2003. The main source of imports was the United States (52%); the average number of foreign-language books imported by each company was more than 85,000, at an average cost per company of NT\$53 million.**

9.9 percent of respondents indicated that they had imported books in 2003, the main source being the United States (52.0%), followed by Hong Kong and Macau. The average number of books imported was 15,865.3 at an average cost per company of NT\$6,217,000. In terms of foreign-language books, the average number imported was 85,466.2, at an average cost per company of NT\$52,959,000. The number of foreign-language books imported was 3.4 times that of Chinese-language books, at a cost 11 times as great.

#### 2. Book Exports

⇒ **Almost 30 percent of respondents exported books in 2003, with the main market being Hong Kong and Macau (81.2%); the average number of Chinese-language books exported being over 28,000 per company, at an average value of over NT\$2.6 million per company.**

Of the 503 companies interviewed for this survey, 29.6 percent indicated that they had exported books in 2003, a slight reduction (0.4%) from 2002. The main export destination was Hong

Kong and Macao (81.2%), followed by Singapore, and the United States.

Compared to the 2002 data, exports to China fell from 31.8 percent to 18.9 percent.

The average number of Chinese-language books exported by each company was 28,432.1, for an average value of NT\$2,647,000 per company. For foreign-language books, the averages were 3,434 books per company for NT\$435,000.

## (ii) Copyright Trading

### 1. Copyright Purchases

⇒ **Almost 40 percent of respondents bought copyrights in 2003. The main source of book copyrights was the United States (52.5%); the main form of copyright was translation rights for translation into Chinese (73.5%).**

Among the 503 publishing houses interviewed for this survey, 39.8 percent purchased copyrights from other countries or regions in 2003, which represented an increase of 4.6 percentage points on 2002. The total number of titles purchased was 3,048. In terms of purchase sums, the main form of copyright bought was translation rights for translation into Chinese (73.5%) and accounting for 2,199 titles. Purchase of publication rights for publication in Taiwan or overseas without translation accounted for 24.4 percent.

The United States was the main source of copyright purchases, followed by China, and Japan. Compared with 2002, the proportion from China increased from 31 percent to 40 percent, showing a continued tendency for Taiwan's publishers to obtain copyrights from the PRC.

### 2. Copyright Sales

⇒ **16.5 percent of respondents sold copyrights in 2003. The main market was China (85.5%), and the main form was Negotiated Publication Rights, which allow printing and publication without translation (56.6%). The average income per company selling copyrights was NT\$651,150.**

Of the 503 publication houses interviewed for this survey, 16.5 percent indicated that they sold copyrights to other countries or regions in 2003, a decrease of 0.4 percentage points from 2002. In terms of sales sums, the main form of copyright sold was Negotiation of Publication Rights, which allow overseas companies to print and publish copies in other countries without translation, which accounted for 56.6 percent of all copyrights, Negotiation and Sale of Translation Rights, which allow companies to translate into other languages and publish, accounted for 47.0 percent. The average income per company selling copyrights was NT\$651,150.

The main market for copyright sales was China (85.5%), followed by Hong Kong and Macao (13.3%), and Japan (9.6%).

## H. Creative Situation

⇒ **The primary source of manuscripts was Taiwan writers (57.8%), with only 4.2 percent coming from mainland China. The main reason (32.7%) was that the copyrights or royalty payments tended to be cheaper.**

Commissioned texts from Taiwan writers accounted for 57.8 percent of manuscripts, followed by the purchase of copyrights of books published by other publication companies

(17.9%), while self-written books or books compiled by a company's own staff accounted for 10.2 percent. Books by mainland China writers accounted for 4.2 percent. Books from China were in simplified characters, which required "translation" into the traditional characters still used in Taiwan and elsewhere, and with certain changes in phraseology.

In terms of types of publication, the majority of books by Taiwan writers were lifestyle books, predominantly medical and homekeeping, while the majority from China's writers were more specialized literature or historical books, followed by popular psychology books. International writers sold in Taiwan tended to focus on children's reading materials.

## I. Sales

### (i) Book Publishers

⇒ More than 55 percent of publishers did not hold sales events in 2003, while 20.5 percent used promotional posters for book launches. Such poster campaigns were considered the most effective sales activity (19.3%). The average marketing budget per company was NT\$1,436,200.

Of those companies interviewed for this survey, 20.5 percent indicated that they had held poster advertising sales events in 2003, while 55.6 percent held no kind of sales activity whatsoever. Poster campaigns for new books were also considered the most effective by the highest number of respondents (19.3%). 34.5 percent of companies spent NT\$100,000 or less on their marketing budget, although the average marketing budget was NT\$1,436,200.

### (ii) Book Retail Channels

⇒ More than 15 percent of single-outlet stores and more than 46 percent of chain bookstores held sales activities in 2003. Both considered themed discounts to be the most effective promotional events (41.2% and 66.7% respectively). The average marketing budget among chain bookstores was NT\$5,667,000.

In 2003, 52.5% of single-outlet and 100.0% of chainstores held readers' events. In terms of type of event, both reckoned that themed discount activities were the most effective (41.2 percent and 66.7percent respectively).

36.3 percent of single-outlet bookstores had marketing budgets of NT\$10,000 or less, with the average being NT\$142,000; while for chain bookstores, the most common category (33.3%) was a marketing budget of NT\$100,000 or more, and an average of NT\$5,667,000.

## J. The Space, Characteristics, and Commodity Display of Sales Channels

### (i) Business District Characteristics and Bookstore Types

⇒ The most common location for single-outlet bookstores is in mixed districts (31.5%); that of chainstores is in shopping districts (61.5%).

The most common location of single-outlet bookstores is in mixed districts (31.5%), while those in cultural and educational districts increased to 22.6 percent from 17.7 percent in 2002. As for chain bookstores, 61.5 percent indicated locations in shopping districts, while top sales figures were reported from cultural and educational districts (27.5%). Most common

(27.2%) shop area for single-outlet stores was 21 ~30 *ping* (84~120 sq.yrds.), with 51.8 percent being self-owned and 48.1 percent in rented property. This compares with figures for chain bookstores with most common area (46.2%) of 101 ~150 *ping* (404~600 sq.yrds.), which is a slight reduction on the average 2002 size. Because of their large size, 95.2 percent are in rented property.

⇒More than 45 percent of single-outlet bookstores are sellers of specialist books, predominantly examination books and textbooks, and most are providers of regular bookstore services. More than 35 percent of chain bookstores are specialist sellers, in particular specializing in foreign-language books, while 31.5 percent are multiple-service bookstores.

Single-outlet bookstores which focus on selling one particular type of book account for 45.1 percent of the total; and, of these specialist stores, most common are retailers of examination books and textbooks (35.4%).

The corresponding figures for chain bookstores are 30.8 percent specialist stores, of which 41.2 percent focus on foreign-language books.

In terms of functions provided and service style, most single-outlet stores (97.2%) provide only the services of regular bookstores: selling books, magazines, and stationary; 66.0 percent of chainstores also offer regular services, but 31.5 percent have multiple services.

## (ii) Display of Merchandise and Services

⇒General books occupy 40 percent or more of stores' sales areas in both single-outlet and chain bookstores; books also represent the main source of income for both.

In terms of layout of sales area by category, general books occupy the most space (40%+) in both single-outlet and chain bookstores, followed by stationary, gifts, and toys. In terms of income, books are also the primary source for both single-outlet and chain bookstores (49.1% and 62.7% respectively), followed by stationary and gifts (36.5% for single-outlet bookstores and 26.3% for chainstores).

⇒In terms of book display and source of income, examination books were most important for single-outlet stores, and computer/IT books for chain bookstores. The arrangement of new books was primarily (65.1%) self-determined at single-outlet stores, but suggested by distributors at 50 percent of chain bookstores.

In terms of book display, examination handbooks occupied the most space (16.9%) at single-outlet bookstores, and computer/IT books the most (11.9%) at chain bookstores. In terms of source of income, examination handbooks were also most important for single-outlet bookstores (17.3%), and computer/IT books for chain bookstores (11.8%).

In terms of consideration of display of new books, single-outlet bookstores indicated that they generally relied on their own judgment (65.1%), while 50.0% of chain bookstores took the recommendations of distributors.

## K. Computerization of Book Retail Channels

⇒ Computerized administration has been adopted by 35 percent of single-outlet bookstores and 92 percent of chain bookstores. In terms of the problems that stores sought to resolve through computerization, 66 percent of single-outlet bookstores identified slow working speed as the main problem, while two-thirds of chain bookstores indicated problems with information storage.

92.3 percent of chain bookstores and 35.3 percent of single-outlet bookstores have computerized their handling of books. When asked about the reasons for computerization, the main problem identified by 66.1% of single-outlet stores was slow working speed, followed by problems with information about new merchandise (64.0%). For chain bookstores, they were problems of information storage (66.7%), information about new merchandise, unclear working procedures, and slow working speed (each 58.3 %). Those areas still in need of improvement are, for single-outlet bookstores, inadequate functioning of the computerized information systems (25.0%) and, for chain bookstores, inappropriate information systems (33.3 %) and inadequate functioning of the information systems (33.3%). As for the reasons other stores have not yet computerized, 68.4 percent of non-computerized single-outlet bookstores indicated that they did not need it or could not use it.

## L. Future Trends in Book Retail Operations

⇒ 64 percent of single-outlet bookstores and 38 percent of chain bookstores reported reduced income in 2003 from 2002. Chain bookstores were more optimistic about projected earnings for 2004.

When comparing income for 2003 and 2002, 64.4 percent of single-outlet bookstores indicated a downturn, as did 38.5 percent of chain bookstores. Declines were also reported by the same number or a greater number of brick-and-mortar bookstores.

Those holding optimistic outlooks for growth in 2004 accounted for 18.8 percent of single-outlet bookstores and 61.6 percent of chain bookstores, while those with pessimistic outlooks for downturns in 2004 accounted for 34.4 percent and 7.7 percent respectively.

⇒ Regarding future developmental directions for the next three years, single-outlet bookstores identified personalization and specialization as important (7.8%), while chain bookstores identified multi-faceted operations (46 %). Friendly service attitude was recognized as a key factor in bookstores' operating success by 86 percent of single-outlet bookstores and almost 77 percent of chain bookstores.

When asked about developments over the next three years, single-outlet bookstores identified personalization and specialization as being key trends (7.8%), followed by digitalized operations (6.6%), and multi-faceted operations (6.3%), while 71.2 percent indicated no special planning. Among chain bookstores, 46.2 percent identified multi-faceted operations, followed by

personalization and specialization of operations, and continued store expansion (each 30.8%).

Irrespective of whether single-outlet or chain bookstores, both identified friendly service attitudes as a key to operational success (86.4 % and 76.9 % respectively). This was followed by choice of shop location (43.6% and 38.5% respectively). When compared to 2002, both figures (for friendly service attitude and location choice as key factors in successful operations) showed a decline, suggesting that a friendly service attitude, at least, is already a basic part of operational attitudes.

## M. Related Issues

### (i) China's Public Reading Habits

**⇒ Within the overall decline in reading, reading for pragmatic or entertainment reasons has risen, while reading for reasons of knowledge has fallen. On-line and digital reading continued to grow.**

According to the Third National Readers' Survey published by the China Publishing Research Institute at the end of 2003, reading has continued to decline among the Chinese public over the last five years. Calculated from the example of character- (word-) recognition, there was an 8.7 percent deterioration from 1998 to 2003. The main factor causing this decline is that the pace of modern life leaves little time for reading. Among reasons for not reading, more than half of those interviewed said they did not have time. Another important cause was the proliferation of new forms of media, which is cutting into the traditional paper-based media's market share.

The survey showed that, over the last five years, the main purpose that people in China did read was for pragmatic reasons, while reading for knowledge declined; recreational or entertainment pursuits also became more apparent.

The 2003 survey found that 8.3 percent of people made use of electronic publications, a big growth on the 4.4 percent found in 2001. Similarly, the proportion of people habitually reading on-line had jumped from 3.7 percent in 1998 to 18.3 percent in 2003.

### (ii) Development of Electronic Books

**⇒ Customers of e-books tend to be middle or upper class; the future potential for e-books is great, and requires serious products to create this transformation.**

Among the survey of Taiwan's publishers, 2.0 percent had published e-books, with the number of new titles in all categories reaching 3,070 (0.7%), while new editions of or re-released e-books totaling 5,153 (3.2%), which corresponds to 0.1 percent of total sales amounts. In a survey of public book buying behavior, 21.8 percent of interviewees said they had read books on CD-ROM (e-books). Among these, most common values emphasized by the interviewees were for educational purposes (5.2~48.1%), followed by human relationships (26.2%), excitement (30.4%), and lifestyle (26.9%)

Furthermore, according to information from the famous US digital magazine publisher Zinio, 86 percent of digital readers have annual income of more than US\$75,000, and more than 82 percent are college educated, which has a very high

impact on the market. The main reason that they subscribe to e-magazines is for convenience, and their only requirement of the magazine is high quality.

This shows that the customer base for e-books has stable financial basis as well as demands for quality of life. Because of this, the content of e-books becomes a key element of that market's development. In addition to requiring a full range of books, it must also promote top-notch e-books to initiate topics, and create consumer trends.<sup>1</sup>

As Chan Hong-chih writes in "Recalling and Contemplating Wen Shih-jen's Ideas" <sup>2</sup>, the threshold to multimedia CD-ROM has become very low, and has transformed CDs from an increasingly common addition to books, into a new publishing element of its own. Other forms of publications are also accepted with CDs at the center. E-books influence the publishing industry in two main ways. Firstly, paper-based books are relatively difficult to change to multimedia, raising the threshold of entry, and avoiding the problem of copying and devaluation. Secondly, they raise the added value of books.

### (iii) Book Return Rates

⇒Return rates for the entire market are 32~35 percent; overseas markets should be opened up to reduce book return rates.

Average return rates for the book publishing industry are 24.6 percent. At the end channels, chain bookstores average return rates are 35.0

percent, and those of single-outlet bookstores are 32.5 percent. The industry recommends book return rates refer to end channel data more accurately reflect the market conditions. As regards the definition of book return rates, the industry recommends that it should be calculated as "(stock minus sales) divided by stock" for all organizations stocking books (publishers, distributors, bookstores).

Calculations of book return rates in the UK were 11.8 percent for domestic sales and 3.9 percent for export sales. From the example of UK publishing, for which export sales represent about 38.7 percent of total sales, it is clear that expanding overseas markets is one means to resolve this problem.

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<sup>1</sup> Peak Topics/Forthcoming Global Digitalization Trends, <http://www.bnext.com.tw> , 2004

<sup>2</sup> Chan Hong-chih, "Recalling and Contemplating Wen Shih-jen's Ideas" Part I-II, Laomao Sue Chuban, <http://bookhome.info/blog/>, 2004

## II . Analysis of competitive situation

### 1. SWOT Analysis of Taiwan's Book Publishing Industry

Internal		External	
Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> <li>➤ High quality publications</li> <li>➤ Publication industry more advanced than that of China</li> <li>➤ Environment of economic freedom and creativity</li> </ul>	<ul style="list-style-type: none"> <li>➤ Intense competition within the industry</li> <li>➤ Competition from other industries</li> <li>➤ Lack of respect for intellectual property</li> <li>➤ Unclear education policies</li> <li>➤ High operating costs</li> <li>➤ Poor creative environment</li> <li>➤ Insufficient professional staff</li> </ul>	<ul style="list-style-type: none"> <li>➤ Advocacy of reading culture</li> <li>➤ Expansion of Chinese-language markets</li> <li>➤ Development of specialist publications</li> <li>➤ Trends towards digitalization</li> <li>➤ Strategic alliance for mutual benefit</li> </ul>	<ul style="list-style-type: none"> <li>➤ Cultural hegemony hard to break</li> <li>➤ Import of books from China and Korea</li> <li>➤ Affects of digitalization</li> </ul>

## 2. SWOT Analysis of Taiwan's Book Retail Channels

Internal		External	
Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> <li>➤ Friendly service attitude</li> <li>➤ Combined operations</li> <li>➤ Specialized division of sales markets</li> </ul>	<ul style="list-style-type: none"> <li>➤ High capitalization costs</li> <li>➤ Diversification of channels</li> <li>➤ Stock problems</li> <li>➤ High risk burden</li> <li>➤ Taxation problems</li> </ul>	<ul style="list-style-type: none"> <li>➤ Advocacy of reading culture</li> <li>➤ Computerization/IT development</li> <li>➤ Sharing of delivery services</li> <li>➤ Reduced taxes</li> <li>➤ New sales payment system</li> <li>➤ Formation of alliances to penetrate international markets</li> </ul>	<ul style="list-style-type: none"> <li>➤ Variation in consumption patterns</li> <li>➤ Competition from overseas chain bookstores</li> <li>➤ Price competition</li> </ul>