

A World of Division and Interdependence: A Sociological Interpretation of the Book-Publishing Field in China

Zheng Liu

Abstract

This article analyses the book-publishing industry in the mainland of the People's Republic of China from a sociological perspective. Borrowing the concept of 'field', I demonstrate how the industry is a field of division, characterized by the distinction between state-owned firms and private-sector players, and yet is also shaped by the interdependence between these two types of organizations. In the first half of the article, I illustrate how the official, state-owned publishing houses interact with the 'illegal' private publishing firms, a process enabled by the distinctive 'trade' in ISBN numbers. In the second part, I examine the distribution sector, which too features a distinct separation between state-run and privately owned channels, resulting in companies operating in different channels receiving differentiated terms and treatment.

Keywords: publishing, distribution, bookselling, state, market, China

Introduction

Readers interested in the book-publishing industry in China have quite a number of references to read. *Logos* has been publishing research into Chinese publishing since the 1990s (see Comber, 1990; Xu and Honeywill, 1995; Graham, 1997; McGowan, 2000; Richardson, 2006; 2010; 2012; Yun, 2013). Although some of the articles are out of date now, together they document the changes that have occurred in the Chinese book industry over the past two to three decades. *Publishing Research Quarterly* too has published many articles on this topic (see McGowan, 1999; Sun, 2002; Yang, 2002; Feng, 2004; Tang, 2006), including a special issue in 2008 which covers issues ranging from the local library market (Jin, 2008) to children's book publishing (Bartz, 2008) and book reading in rural areas (Liu and Li, 2008). Other references that may be of interest include Baensch's edited volume *The Publishing Industry in China* (2003), Xin's *Publishing in China: An essential guide* (2010), and Yun's article on the history of Chinese publishing between 1949 and 1992 (2014).

This literature offers ample information about how the book-publishing industry in China works and how it has changed. The purpose of this article, therefore, is not to repeat what is already known about the subject. Rather, I aim to offer a nuanced account of the Chinese book industry by focusing on one particular characteristic of the industry: the division and interdependence between state-owned firms, on the one hand, and private-sector players, on the other. In my view, it is important that we understand this characteristic, because its underlying mechanisms also underlie and affect many other processes and developments in

the Chinese publishing industry, and understanding them can allow us to better understand the industry as a whole. Book publishing in China as a heavily regulated business sector cannot be grasped without understanding how the conflicts and compromises between government regulation and market forces play out and how they influence companies' behaviour on a day-to-day basis.¹

To analyse the state–private relationship and its impact, I draw on the sociological concept of 'field'. The concept was initially developed by the French sociologist Pierre Bourdieu to analyse how cultural and literary production is influenced by economic and political factors (1984; 1990). The central idea is that in engaging in cultural and literary production, individuals and organizations find themselves interacting with a variety of other individuals and organizations in a structured social space. In this conceptual space, i.e. *field*, the way in which an individual or an organization behaves is structured by the position they occupy in the space and in relation to other members. The position-taking of agents or institutions in the field is in turn determined by the *capital*, i.e. resources at stake in the field, that they possess. Therefore, affecting the action of an individual or an organization in a given field are not only their individual or institutional traits and resources, but also—and perhaps more importantly—their *relations* to other players in the field. The relational perspective is thus central to a field-theory-informed analysis of social practice. John Thompson develops Bourdieu's concept and uses 'field' as an analytical framework to account for the transformation of the book-publishing industry in the US and the UK since the 1950s (2005; 2010). He shows, among other things, that at stake in the English-language book-publishing field are five main types of capital, and that how a publishing firm acts is almost always a reflection of the quantity and types of capital the firm has at its disposal and its position in the field determined by these. For Thompson, besides the more general forms of capital (economic capital; social capital, which is the connections an organization or individual has accumulated; and symbolic capital, primarily the prestige relating to a firm), position-taking in the publishing field is sensitive to human capital (the capability of staff) and intellectual capital (e.g. the reservoir of rights) (2010, pp. 6–8).

Following Bourdieu and Thompson, in this article I conceptualize the book-publishing industry in China as a field. Within this field, different publishing firms—large and small, trade and professional, literary and commercial—exist and interact. What I will demonstrate, however, is that, in the Chinese publishing field, of particular importance is political capital. It is a special kind of capital that is inherently and only available to state-owned publishing houses and gives them a great advantage over the non-state publishing firms—the right to publish.

Publishing

According to Wischenbart (2017), China is the second-largest book market in the world in terms of publishing revenue. In 2015, it accounted for 17 per cent of global publishing revenue, following the US (33 per cent) and followed by Germany (8 per cent), Japan (5 per

cent), the UK (4 per cent), and France (3 per cent) (2017, p. 5). The Chinese market is the only one of the six leading book markets in the world which has reported continuous growth in recent years (ibid.), both in terms of title production and in terms of publishers' sales. Table 1 illustrates these trends.

Table 1 Chinese book publishing market, 2012-16*

Year	Title output	Annual growth (%)	Publishers' sales (billion, ¥/\$)**	Annual growth (%)
2012	414,000	12.4	72.35/11.67	12.28
2013	444,400	7.35	77.08/12.43	6.53
2014	448,400	0.9	79.12/12.76	2.65
2015	475,800	0.48	82.26/13.27	3.96
2016	499,900	5.07	83.23/13.42	1.19

*This table is based on data from the annual reports of the press and publishing industry published by the State Administration of Press, Publication, Radio, Film and Television of China (SAPPRFT). The SAPPRFT, formerly known as the General Administration of Press and Publication (GAPP), is the highest state authority in charge of the book industry in China.

** It is unclear whether the sales were those made by the 580 or so state-owned publishing houses or by both state and private sector firms. But it is highly likely the former case. In this case, the actual total publishing revenue in China can be larger than these figures suggest.

Source: SAPPRFT (2013; 2014; 2015; 2016; 2017)

Roughly speaking, there are two types of book publishers in China: the state-owned publishing houses and the private book-publishing firms. The state-owned publishing houses are the only legal book publishers in China: only a state house's imprint may appear on the title page of a book. The private publishing firms, known as *minying tushu gongsi* (private book firms) or *wenhua gongzuoshi* (cultural studios), have no legal right to 'publish' books, since they have no legal access to ISBN numbers, which are the markers of legal publications in China. But the private firms can and do participate in book publishing by 'collaborating' with state publishers in various ways. The worlds of the state-run publishing house and the private publisher sometimes overlap, when, for example, a state house hold shares in a private firm (see Figure 1).

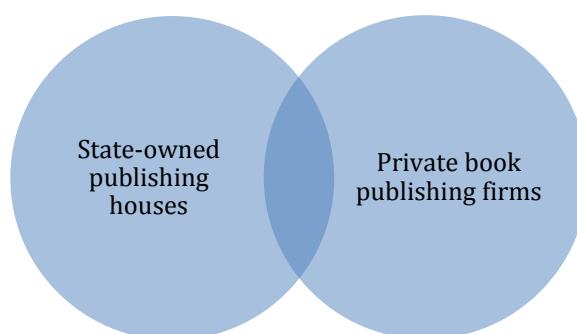


Fig. 1 The book publishing field in China

State-owned publishing houses

In 2016, there were 584 state-owned publishing houses in China. This number had not

changed much over the past decade: only about a dozen new publishing houses had been set up since 2003. The number of publishing houses tends to change little in China because opening a new publishing house is bound by strict application procedures; moreover, being state-owned means that a publishing house will seldom close down for financial reasons. Between 2003 and 2016, only one house had to shut down and that was because its licence was revoked by the State Administration of Press, Publication, Radio, Film and Television of China (SAPPRFT).

Of the 580 or so publishing houses, around 220 are central-level or national publishers, and 360 or so are provincial-level or regional publishers. Most central-level publishers are based in Beijing; the majority of the regional publishers are located in the capital cities of the provinces. According to Xin (2010), publishing houses in China are set up according to the rules of the *tiao* (vertical line) and *kuai* (block) systems. Under the *tiao* system, all government ministries, major organizations under the Chinese Communist Party (CCP), the eight non-ruling parties, major universities, and some large state-owned enterprises can each have one publishing house, which will be a central-level publisher. Examples of central-level publishers include World Affairs Press, under the Ministry of Foreign Affairs; the Central Compilation and Translation Press, owned by the CCP's Central Compilation and Translation Bureau; Tsinghua University Press; and China Citic Press, owned by CITIC Group, a state-owned investment company. Under the *kuai* system, the 32 provincial units in mainland China—23 provinces, four autonomous regions, and five municipalities under the direct control of the central government—are the owners of the 360 or so regional publishing houses.

In the past, all publishing houses were *shiye danwei* or public-sector organizations, which implies that they operated on a not-for-profit basis and were fully financed by their state patrons. As a result of the reform of the sector during the 2000s, most publishing houses today are business entities, although they continue to be owned and supervised by the relevant state organizations. The reform began in the early 2000s, first in the provincial publishing houses and, a few years later, in the central-level publishers as well (Xin, 2010, p. 14). According to Xin, the primary goal of the reform was to push the publishing houses into adopting 'a corporate business management model', and ultimately, to transform these former public-sector organizations into for-profit enterprises (2010, p. 15). Today, except for a few 'public-interest' publishing houses, all the state-owned publishers in China have completed this process and become commercial publishing firms.

A further goal of the 2000s reform primarily concerned the provincial-level publishers: to set up large publishing groups through the consolidation of publishers based in the same provinces. The first publishing group of this kind was Shanghai Century Publishing Group, which Shanghai Municipal Government founded in 1999 through amalgamating the five publishing houses it owned. By 2016, 27 of the 32 provinces, municipalities, and autonomous regions had set up their own publishing groups. Some of these publishing groups have since developed rapidly. Jiangsu Phoenix Publishing and Media Group and

China South Publishing and Media Group Co. Ltd, for instance, were ranked the sixth- and seventh-largest publishing groups in the world in 2014 by revenue (see Table 2). Alongside the provincial publishing groups, some central-level publishers have also consolidated to form large publishing corporations; renowned examples include China Publishing Group and China International Publishing Group in Beijing. As of 2016, there were 32 publishing groups in China.

Table 2 The ten largest publishing companies worldwide in 2014

<i>Rank</i>	<i>Publishing Company (Group or Division)</i>	<i>Revenue (Euro, million)</i>
1	Pearson	5.809
2	ThomsonReuters	4.729
3	RELX Group (Reed Elsevier)	4.405
4	Wolters Kluwer	3.660
5	Penguin Random House	3.324
6	Phoenix Publishing and Media Company	2.333
7	China South Publishing & Media Group	1.621
8	Hachette Livre	2.004
9	McGraw-Hill Education	(<i>est.</i>) 1.795
10	Holtzbrinck	1.643

Source: Wischenbart (2015)

The organizational structure of a Chinese publishing house is similar to that of a Western publishing in comprising the major departments of editorial, design and production, marketing and sales. The publishing process is also similar, involving the same main procedures of commissioning, manuscript editing, design, production, distribution, marketing, and sales. But, unlike in the UK and the US, where publishers are distinguished between trade, educational, academic, STM and professional, publishing houses in China are generally categorised into eight different kinds, based on the content or topic of the books they publish (Xin, 2010, p. 32 and 43). According to content or topic, books published in China are normally classified into eight categories: social sciences, science and technology, literature and art, children's books, Chinese classics, education, academic, and reference and encyclopaedias (2010, p. 43). In a given category, there could be general interest books and books written for a more specialized readership. For example, social science books can include both trade books dealing with topics relating to social life (e.g. self-help books) and scholarly works belonging to an academic social science discipline (e.g. psychology). 'Fiction' and 'nonfiction' have increasingly been used in recent years to distinguish these two broad categories of books, but there is generally no distinction between paperback and hardcover books in China.

A publishing house traditionally only published books in the subject area assigned to it. The

subject area is indicated by the publisher's name. For example, Shanghai Literature and Art Publishing House is self-evidently a publisher specializing in literature and art books. Nowadays, however, it is common for large publishing houses to publish across a variety of subject areas. For example, China Machine Press, which traditionally specialized in science and technology publishing, is also renowned for its list in economics and management studies. An important reason that some publishers can publish extensively across many different subject areas is that many books these publishers *publish* are not *produced* by them. That is, although these books are published under the publishers' imprints, they were not commissioned, edited, designed, and produced by staff of these publishing houses. This is because a large number of books published in China under the imprints and ISBNs of state-owned publishing houses are in fact produced by a plethora of privately owned book-publishing firms.

Private publishers

In the strict sense, there are no 'private publishers' in China. This is because the founding of new publishing houses requires permission from the SAPPRFT, and an application would only be considered if it were supported by a state organization. This effectively prevents a private firm or an individual from setting up a publishing house and gaining a publishing licence. A publishing licence is essential to publish books legally in China, since, without one, publishers cannot apply for ISBNs for the books they wish to publish, and publishing books without valid ISBNs can result in criminal charges. (In China, ISBNs are monopolized by the SAPPRFT, and publishers must apply to it or to its local branches to obtain the numbers.) In sum, firms or individuals without a publishing licence have no formal access to ISBNs and therefore cannot 'publish'.

However, private firms and individuals are free to set up businesses to engage in publishing-related activities—commissioning, editing, producing, marketing, and distributing. Since the only obstacle to firms of this kind publishing books is their lack of access to ISBNs, the solution to this predicament is obvious: they pay the state houses to use their ISBNs; to put it simply, they buy ISBNs from licensed, state-owned publishing houses. This kind of ISBN-based arrangement between state and private publishers is sometimes referred to as *hezuo chuban* (collaborative publishing), but more commonly as *shuhao maimai* (trade of book numbers). Through the trade in ISBNs, private firms become de facto publishers. It is estimated that there are over 10 000 private publishers in China, which produce more than 100 000 new books each year (Zhang, 2010).

Private publishers in China are of varied sizes. Large firms can have hundreds of employees, publish hundreds or even thousands of new books, and generate more than ¥100 million in sales every year (Yi, 2008, p. 15). The largest private firms tend to be educational publishers, since this is the largest and most profitable sector, although there exist a few large trade publishers as well, such as Motie Books and Thinkingdom. Most private trade publishers, however, are medium-sized (Yi, 2008). They usually employ a few dozen people

and publish several dozen to a hundred new titles each year, which can generate an annual turnover of several million yuan (2008, p. 16). Small 'cultural studios' tend to consist of no more than a handful of people and publish only a handful of books each year (2008, p. 17). These firms are not dissimilar to the small independent publishers in the UK and the US (see Thompson, 2010, pp. 157–168).

How exactly does the trade in ISBNs work? Each year, the SAPPRFT allocates a certain number of ISBNs to each of the 580 or so state-owned publishing houses. Although these numbers are 'allocated' to the publishers (a publisher will, usually at the end of a year, know how many ISBNs are available for it to use next year), the exact ISBNs are not issued to them directly. Instead, a publisher has to apply via a book number application system for each book that it plans to publish by inputting into the system such information as title, author, and abstract. The quantity of ISBNs allocated to a publisher depends on the publisher's size and level of operation: large and/or central-level houses can have between 1000 and 2000 ISBNs per year, whereas most provincial-level publishers can have 700 to 800. All publishers are allowed to apply for more ISBNs if they need to, though the SAPPRFT may set quotas to control the total number of the ISBNs a publisher can obtain in a year.

There are two main ways through which private publishers can use the state houses' ISBNs to publish their own books. Most publishers will choose the simpler method, in which they simply pay the state houses to transfer the book numbers and relevant information so the private firms can have their books published with valid ISBNs. Publishers choosing this method need to have their own printing, warehousing, distribution, sales and marketing facilities, or access to such facilities, so that the book numbers are the only thing they need from the state houses in order to publish. Publishers that do not have access to such facilities may choose to use the state houses' services; in this case, they pay for these services in addition to the ISBNs. Some small private firms are similar to book packagers in the West, in the sense that they handle mainly the editorial side of the business—coming up with book ideas, recruiting authors, putting together manuscripts, and liaising with state publishers to publish the books—and rely on the state houses to take care of everything else, and pay accordingly. The price of an ISBN varies from one supplier to another, but usually ranges between ¥10,000 and ¥30,000 (Yun, 2013).

Books produced by private firms are always published under the imprints of the relevant state houses. Thus, phrases like 'published in association with X' or 'co-published with Y' will not appear on the books, although the name of the private firm may be found at the back and/or on the spine of a book. Because private firms own the books they 'publish', the most common arrangement for distribution is this: state houses will 'purchase' back some books from the private firms to distribute to the state-owned Xinhua bookstores, and the private firms will fulfil orders from private wholesalers and retailers.

Neither the existence of private publishers nor the trade in ISBNs is underground. The SAPPRFT is fully aware of the trade and of how it allows private companies to engage in

publishing, a business from which they are officially banned. The SAPPRFT even officially bans state houses from selling ISBNs, but in practice the trade has been tolerated tacitly (Yun, 2013, p. 25). It is not difficult to understand why, that is, why the SAPPRFT would choose to tolerate the trade in ISBNs, an action directly violating its own rules, rather than allow private publishers simply to apply for the book numbers and publish in their own name. According to the publishers and booksellers I interviewed in China, by controlling access to ISBNs, the SAPPRFT seeks not to eradicate private publishing but rather to control the content that can be published in China. Private firms can publish freely so long as their books do not ‘cross the lines’, that is, do not contain content that would be deemed ‘illicit’ by the authorities’ standards. In practice, it would be difficult for the SAPPRFT and its local branches to enforce such control of output by screening every book before it is published. By allowing the trade in ISBNs, however, the SAPPRFT can effectively delegate the task of pre-publication screening to the state houses that sell the book numbers. This is because, through allowing private publishers to use their ISBNs, the state houses can be held accountable by the authorities for the books their clients publish: ‘illegal’ content in books can cause the state houses to be fined or even have their licences revoked by the SAPPRFT. To protect their own interests, therefore, before transferring their ISBNs, the state houses will ask private firms to submit their manuscripts for examination, and their editors will examine the manuscripts and remove anything they consider ‘inappropriate for publication’ before the manuscripts can go to the printer. In this way, by making sure that no undesirable content is published under their names, the state publishers that sell ISBNs effectively function as the state’s censors of books.

Another reason why the sale of ISBNs is common despite the SAPPRFT’s ban on doing so is that selling the book numbers can be profitable. The prospect of earning up to ¥30 000 (about US\$4840) per ISBN without doing much work is a temptation hard for any publisher to resist, and harder still if this is the publisher’s main source of income. It is believed that many small provincial-level publishing houses depend for their survival on selling ISBNs, since they are ‘incapable of producing profitable books’ (Liu and Liu, 2005, p. 125). Commenting on this phenomenon, a bookseller I interviewed said, ‘many state-owned publishing houses have nothing to sell in the market but their book numbers’. According to an editor-in-chief at a Beijing-based state house, it is common even for those publishers capable of making a profit from publishing books to sell up to half of their ISBNs to private firms each year and make a fortune from doing so. An editor from a private firm commented, ‘Half of the state-owned publishing houses would go bankrupt the day after the government opens the market and allows us private publishers to apply for ISBNs instead of buying them from the state publishers ... The reason the government has turned a blind eye to the trade is because if it were banned completely, many state houses would be cut off from their livelihood, and who do you think will have to come up and save them? The government, of course. So why not save their own money and make us private publishers pay for this?’

Partly because of the zero-sum nature of the trade in ISBNs—the gain of the state house always means the loss of the private publisher—new forms of collaboration between state

and private publishers have been developed in recent years. An increasing number of large state houses or publishing groups are seeking to acquire or hold shares in successful private firms (Bao, 2010). For example, in 2011, China South Publishing and Media Group, owned by Hunan Provincial Government, acquired Beijing Boji Tianjuan Book Company, a leading private trade publisher. In 2015, the People's Literature Publishing House (PLPH) acquired 99Reader, which had long been publishing books using PLPH's ISBNs. By acquiring private publishers, state houses can share the private firms' gains, which can be more profitable than selling ISBNs (Bao, 2010). Moreover, the state houses can capitalize on other resources owned by the private publishers, such as their author pool. For the private firms, not only does being acquired by state houses help to 'legalize' them, but they can also save a fortune through being able to use the state houses' ISBNs for free. For some large firms, this alone can save them up to ¥10 million a year (Bao, 2010).

In the trade in ISBNs, what is transacted is not only the book numbers. Through selling and buying ISBNs, the state and private publishers are exchanging different kinds of resources that they possess. The trade in ISBNs hence helps to reallocate resources that are unevenly distributed in the Chinese book-publishing field. The most important type of capital possessed by the state-owned publishing houses is what may be called 'political capital'. This chiefly refers to these publishers' legal status and their privilege to publish legally. Political capital is a type of capital inherent in its holders and hence inexhaustible. Unless its licence is revoked, a state-owned publishing house cannot be dispossessed of its political capital. Because it is inherent, political capital cannot be earned; but it may be borrowed or transferred. By paying the state houses to use their ISBNs, private publishers are effectively 'borrowing' the state houses' political capital in exchange for their economic capital.

In the publishing world, economic capital encompasses the assets that a publisher owns directly as well as the publisher's 'ability to draw on the resources of a parent company or raise finance from banks or other institutions' (Thompson, 2010, pp. 5–6). In China, central-level publishing houses tend to have more economic capital than provincial-level houses, which is partially why selling ISBNs is more prevalent among provincial-level publishers than at the central-level houses. For publishers operating at the same level—say, the provincial level—children's book and educational publishers tend to have more economic capital, since children's books and educational books are generally more profitable than other types of books in the Chinese book market. State houses may have more economic capital than private publishers in the sense that it is easier for state-owned enterprises to borrow money from banks than it is for private firms. However, private publishers are more likely to receive external investment from private investors. The trade in ISBNs mainly facilitates the transfer of economic capital from private publishers to state publishers, but the acquisition of private firms by state-owned houses demonstrates that, with the development of private publishing, the flow of economic capital can reverse direction, from state houses to private firms.

A further form of capital that state houses may obtain from 'collaborating' with private

firms is intellectual capital, meaning the publisher's right to 'use and exploit intellectual content' in order to 'generate a financial return' (Thompson, 2010, p. 7). It is believed that access to private publishers' intellectual property—their stocks of contracts with authors and/or the foreign rights they possess—is an important reason why state houses may seek to acquire private publishers (Bao 2010). Take the two aforementioned acquisition cases. Before its acquisition, Boji Tianjuan had published a series of bestsellers and had a reservoir of long-term contracts with a number of bestselling authors. 99Reader, on the other hand, was famous in the field of foreign literature. It owned the Chinese rights for works by famous Western authors such as Dan Brown, J. K. Rowling, and Stephen King. Such sharing of intellectual capital is not reciprocal: private publishers are rarely allowed to use state houses' intellectual content; a factor that, according to Bao, discourages some private firms from taking part in such 'unfair collaboration' (2010, p. 40).

Another form of capital that may be transacted between state and private publishers is symbolic capital, the 'accumulated prestige, recognition and respect accorded to certain individuals or institutions' (Thompson, 2010, p. 8). State-owned publishing houses tend to have greater symbolic capital than private publishers, for they accrue it from their longer history and official status. Some academic publishers can gain symbolic capital from their affiliation to prestigious universities or research institutions. The state houses' symbolic capital can be converted into economic capital, as we see in the fact that prestigious publishing houses normally charge higher prices for their ISBNs than the average price of ¥10 000 to ¥30 000. To what extent the prestige of state houses may affect private publishers' decisions as to which state houses they buy ISBNs from is not clear. According to Yi, private publishers tend to collaborate with state houses with which they already have connections, and the possibility of long-term collaboration is deemed more important than other factors (2008, p. 25). Yet, there are cases in which a private publisher works with more than one state house and pays more for certain books to be published by prestigious houses if they believe the publisher's reputation will make a difference to the book's sales.

Distribution

In the main, trade book distribution in China is similar to that in the UK and the US in the sense that books may be supplied to retailers either directly by the publisher or via a distributor or wholesaler (see Thompson, 2010, pp. 14–15; Clark and Phillips, 2014, pp. 275–276). But, like publishing, the book distribution market too is complicated by the division between the state-owned channel and the private channel, which causes retailers in different channels to be served differently, especially in the trade terms they receive from their suppliers.

Two channels

The state-owned book distribution channel, also known as the 'main channel' (*zhu qudao*), mainly consists of the 9000 or so state-owned Xinhua bookshops. Book distribution

through this channel involves publishers supplying books to Xinhua bookshops of two kinds. Today, Xinhua bookshops are organized on a provincial basis. In a province, there is usually one Xinhua provincial head store (*sheng dian*), which is a distributor that orders and supplies books for the lower-level Xinhua bookshops in the province. Parallel to the provincial head store is a ‘municipal store’ (*shi dian*), which is normally the main Xinhua bookshop based in the capital city of the province. A municipal store operates independently of the provincial head store and functions both as a retailer and as a distributor. As a distributor, it orders and supplies books for its branches in the capital city. Figure 2 illustrates this division of labour. For a typical state-owned publishing house, the Xinhua provincial head stores and municipal stores are the main clients and can account for half of the publisher’s total book sales. On average, a publishing house services sixty or so Xinhua accounts from the 32 provincial units in the Chinese mainland. Private firms do not tend to supply Xinhua. As noted earlier, when it comes to collaboratively published books, the common arrangement is for the state houses to fulfil orders from state-owned retailers while the private publishers serve private customers via their own or third-party distributors.

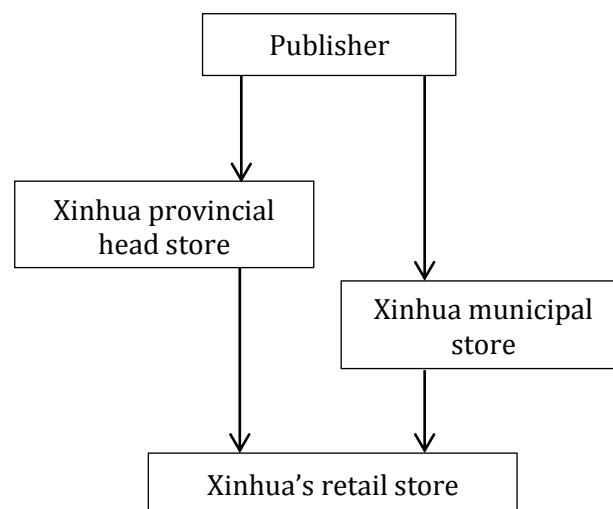


Fig. 2 Supply chain via the ‘main channel’

The private book distribution channel, commonly referred to as the ‘secondary channel’ (*er qudao*), consists of private book wholesalers and retailers. Up till the mid-1990s, book wholesale in China remained closed to private companies. Most private retailers had to stock books from their local Xinhua distributors (the former Xinhua provincial head stores). However, with the significant increase in both the number of private booksellers and the quantity of books published in the 1990s, Xinhua came under great pressure as the sole distributor in the industry. As a result, in 1996, the central government decided to open the wholesale sector to private companies. One of the measures the government took to facilitate, as well as regulate, the private book wholesale market was to build what are known as ‘book wholesale centres’ in major cities across China. A book wholesale centre is like a shopping mall for books. It consists of many individual ‘shops’, which wholesalers can

rent to use as offices and for storage. A book 'wholesaler' in China hence normally means a private firm trading in a book wholesale centre. Today, each province has a number of book wholesale centres, one in its capital city, the others in other major cities. Wholesalers in these provincial book wholesale centres tend to be small to medium-sized and mainly serve customers in their own and neighbouring provinces. Partly because of their small size, a provincial wholesaler usually trades in only one type or a few types of books, or books by a limited number of publishers. There are no large national wholesalers in China like Ingram in the US, though there exist a few larger wholesale centres in Beijing, and wholesalers in these centres can supply books nationally, both to retailers and to provincial wholesalers. Wholesalers stock books directly from publishers, both state owned and private, and sell them to private retailers, as well as to the public (at higher prices).

Whereas small private booksellers usually stock from local wholesalers, large private retailers tend to order books directly from publishers to obtain better terms (higher discounts, longer credit periods, and good returns policy). In the past, small private booksellers could also set up accounts with publishers and buy directly from them, but this has become increasingly rare in recent years, since many state-owned houses no longer open new accounts for private retailers (though the existing accounts remain mostly unaffected). Although private publishers are generally more willing to supply small private retailers, they tend to prefer cash buying. Being unable to stock directly from publishers, or being able to buy only on a cash-buy basis, combined with the decline of local wholesalers in recent years, many small private booksellers are faced with the problem of understocking. This, in addition to competition from online retailers and rising rents, is another source of pressure threatening the businesses of small private booksellers in China. Online retailers usually stock directly from publishers. The largest online booksellers in China are Dangdang.com, JD.com, and Amazon.cn, which in 2016 accounted for, respectively, about 45 per cent, 21 per cent, and 16 per cent of the online bookselling market (Liu, 2018, p. 140). Tmall Books (the book department of Alibaba Group's online retail website Tmall.com) is a website on which booksellers and publishers can set up stores and sell books to customers; it is becoming an increasingly important player in the field of online bookselling in China, although the company itself does not hold or sell books.² What is special about the online retailers is that an increasing number of small private booksellers are now stocking from them. In this sense, online retailers function both as retailer and as wholesaler/supplier in the Chinese book supply chain (see Figure 3).

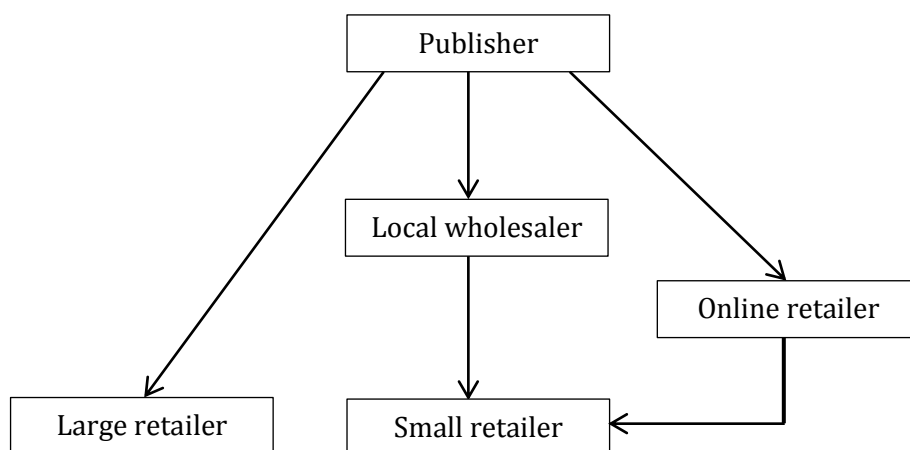


Fig. 3 Supply chain via the 'secondary channel'

Differentiated terms of trade

In today's general interest book market in China, the normal discounts given by state-owned publishing houses tend to be 45–50 per cent to local wholesalers, 40–45 per cent to Xinhua provincial head stores and online retailers, and 35–40 per cent to Xinhua municipal stores and large private retailers. Small private booksellers stocking from local wholesalers can expect a discount ranging between 28 and 35 per cent. The discounts publishers give to different types of customers are largely transparent and depend not on the level of operation (retail or wholesale) but on the size of order—the more books you buy, the higher the discount you receive. This is why online retailers are given the same discounts as Xinhua's provincial head stores, which are at least five per cent higher than the discounts obtained by other retailers.

Only in the past decade have physical booksellers in China—Xinhua and private—begun to discount their books, largely because of the influence of online retailers. In the past, the only places where readers could buy discounted books were their local book wholesale centres, where they could buy books at a discount of 10–15 per cent. Today, most high street bookshops will discount their books, but their discounts tend to be small, usually below 10 per cent. This reflects the low levels of discount they receive from their suppliers: 35–40 per cent for Xinhua and large private retailers and below 35 per cent for small private booksellers. This contrasts sharply with the high discounts retailers in the West tend to receive—47 per cent and above (Thompson, 2010, pp. 147, 304–305). Partly because of the low levels of discount that retailers in China obtain, many discounting practices prevalent in the West, such as 'buy one and get one half price', are unheard of in China. Large discounts like 25 or even 50 per cent on new books are extremely rare in Chinese high street bookshops.

Except for the small private booksellers who cash-buy their stock from wholesalers or publishers, most retailers order and sell books on consignment—that is, they pay their

suppliers for the books that have been sold and can return the unsold stock. The small private retailers may, upon agreement, exchange their unsold stock for new books of the same value, but will not normally be allowed to return them. For most other retailers, when signing the contract, the retailer and their supplier will agree on a period upon which the supplier will invoice the buyer. The payment period is agreed on a retailer-to-retailer basis, starting from three months. Xinhua bookshops are normally invoiced once a year, whereas online retailers usually pay every three to six months because of the large size of their payments. Retailers of academic books usually have the longest credit period, up to 18 months, because academic books tend to have a longer shelf life and sales cycle.

Conclusion

Although the book industry in China has been marketized and ‘commercialized’ (Yun, 2014) for well over 20 years now, the field is still characterized by the legacy/hangover of the planned economy. The distinction between the pedigree state-owned companies and privately held firms is one of the most important characteristics of the industry. However, as I have demonstrated in this article, although separate, the state and private sectors are not isolated from one another. A state-owned publishing house and a private firm can be very closely interlinked, to such an extent that they reciprocally depend on this relationship to survive. The interdependence between state and private players is hence as important in shaping the field as the state-private division. In distribution, state-run booksellers and wholesalers and companies run by private owners are not as mutually interdependent as in publishing, but the division between the state-owned ‘main channel’ and the ‘secondary channel’ is similarly distinct, as their designations suggest. The nature of the book-publishing industry in China as a heavily state-regulated business sector means that the state-private division and interdependence will continue to exist and shape the Chinese book world for years to come. Foreign publishers, authors, agents, and others who wish to exploit the Chinese book market will benefit from an understanding of how this distinctive dynamic functions and how it impacts on the decisions and actions of companies.

Notes

1. This paper focuses on the general interest book sector. What is presented here is not necessarily applicable to more specialist sectors, such as educational publishing.
2. Readers interested in the bookselling industry in China and its development in recent years may want to read my article ‘Whither the Book Retailing Industry in China’ (Liu, 2018) for more information.

References

- Baensch, R. E., 2003. *The Publishing Industry in China* (New Brunswick, NJ: Transaction)
- Bao, H., 2010. ‘Jingzheng Yu Hezuo—Guoyou Chubanshe Yu Minying Chuban Gongsi Ziben Hezuo Tanxi’, *Chuban Faxing Yanjiu*, 9, pp. 37–40

- Bartz, J., 2008. 'Chinese Children's Book Market and the German Experiences in Cooperation with Chinese Publishers', *Publishing Research Quarterly*, 24 (1), pp. 73–78
- Bourdieu, P., 1984. *Distinction: A social critique of the judgment of taste* (London: Routledge & Kegan Paul)
- Bourdieu, P., 1990. *The Logic of Practice*, trans. R. Nice (Cambridge: Polity)
- Clark, G. and Phillips, A., 2014. *Inside Book Publishing*, 5th edn (London: Routledge)
- Comber, L., 1990. 'The Chinese Book World before and after Tiananmen Square', *Logos*, 1 (3), pp. 34–40
- Feng, X., 2004. 'Cultural System Reform and Publishing Industry Transformation in China' *Publishing Research Quarterly*, 20 (3), pp. 52–57
- Graham, G., 1997. 'Beijing Interlude: Notes on the Chinese book scene', *Logos*, 8 (3), pp. 140–145
- Jin, G., 2008. 'Analysis of the Chinese Library Market and Its Growing Potential', *Publishing Research Quarterly*, 24 (1), pp. 9–15
- Liu, Z. 2018. 'Whither the Book Retailing Industry in China: A historical reflection', *Publishing Research Quarterly*, 34 (1), pp. 133–146
- Liu, Y. and Li, W., 2008. 'The Establishment of "Rural Bookrooms" in China', *Publishing Research Quarterly*, 24 (1), pp. 16–21
- Liu, G. and Liu, F., 2005. *Zhongguo Minying Shuye Diaocha—Zhongguo Minying Chuban Lanpishu* (Beijing: China Water and Power Press)
- McGowan, I., 1999. 'Publishing in China', *Publishing Research Quarterly*, 15 (1), pp. 20–32
- McGowan, I., 2000. 'Asian Encounters', *Logos*, 11 (1), pp. 7–14
- Richardson, P., 2006. 'Reducing the Cultural Deficit: China assays the world book market', *Logos*, 17 (4), pp. 182–188
- Richardson, P., 2010. Review of Publishing in China: An essential guide, 2nd edn, *Logos*, 21 (1–2), pp. 133–136
- Richardson, P., 2012. 'Deconstructing the Cultural Deficit: Chinese publishing and Western markets', *Logos*, 23 (3), pp. 28–33
- SAPPRFT, 2013. *2012 Nian Xinwen Chuban Chanye Fenxi Baogao* [2012 Press and Publishing Report] (Beijing)
- SAPPRFT, 2014. *2013 Nian Xinwen Chuban Chanye Fenxi Baogao* [2013 Press and Publishing Report] (Beijing)
- SAPPRFT, 2015. *2014 Nian Xinwen Chuban Chanye Fenxi Baogao* [2014 Press and Publishing Report] (Beijing)
- SAPPRFT, 2016. *2015 Nian Xinwen Chuban Chanye Fenxi Baogao* [2015 Press and Publishing Report] (Beijing)
- SAPPRFT, 2017. *2016 Nian Xinwen Chuban Chanye Fenxi Baogao* [2016 Press and Publishing Report] (Beijing)
- Sun, Q., 2002. 'Economics of the Chinese Book Market', *Publishing Research Quarterly*, 18 (3), pp. 54–63
- Tang, X., 2006. 'Ten-Year Survey of China's Book Industry', *Publishing Research Quarterly*, 22 (2), pp. 64–77

- Thompson, J. B., 2005. *Books in the Digital Age: The transformation of academic and higher education publishing in Britain and the United States* (Cambridge: Polity)
- Thompson, J. B., 2010. *Merchants of Culture: The publishing business in the twenty-first century* (Cambridge: Polity)
- Wischenbart, R., 2015. [‘The Global Ranking of the Publishing Industry 2015’](#)
- Wischenbart, R., 2017. *The Business of Books 2017: It’s all about the consumers* (Frankfurt am Main: Frankfurt Book Fair Business Club)
- Xin, G., 2010. *Publishing in China: An essential guide*, 2nd edn (Singapore: CENGAGE Learning)
- Xu, Y. and Honeywill, P., 1995. ‘The World’s Largest Book Market: Short-term pitfalls, long-term opportunities’, *Logos*, 6 (3), pp. 162–165
- Yang, D., 2002. ‘The Reform of the Book Distribution Industry and the Development of Non-State-Owned Bookstores in China’, *Publishing Research Quarterly*, 18 (2), pp. 50–55
- Yi, H., 2008. ‘Minying Wenhua Gongsì Fazhan Yanjiu Baogao’, in *2007 Zhongguo Minying Shuye Fanzhan Yanjiu Baogao—Wenhua Gongsì Yanjiu*, ed. Z. Hao, pp. 3–39 (Beijing: China Book Press)
- Yun, Q., 2013. ‘State versus Market: A perspective on China’s publishing industry’, *Logos*, 24 (1), pp. 19–29
- Yun, Q., 2014. ‘From Communization to Commercialization: A Brief History of China’s Publishing, 1949–1992’, *Journal of Scholarly Publishing*, 45 (2), pp. 142–171
- Zhang, H., 2010. [‘Minying Shuye: Fuchu Shuimian Hou Ruhe Zou?’](#), *Renmin Ribao*, 17 September