How COVID-19 Has Affected China's Publishing Industry

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Abstract

The COVID-19 has affected all walks of life. For China's publishing industry, everything has been changed from production to consumption, from different links in the industrial chain to various product types, and from operating modes to organizational structures. In 2020, China's book industry experienced in its first negative growth in 20 years. The total number of new book varieties has declined, bookstores have suffered an enormous impact, and marketing and sales have further shifted to online. Online education will become normal, and digital teaching materials may increase the industry and the future of the Audio-book market is hot, network literature is in the focus of investments while a number of the non-state-owned publishing house started to go public.

Keywords COVID-19 · China's Publishing Industry · Negative growth · Online education · Book discounts · Payment for knowledge · Social media platform

Introduction

The arrival of the COVID-19 has brought a profound impact on the publishing industry. We need to summarize the impact of the new Covid-19 pandemic on China's publishing industry from different perspectives. From the overall scale of the macro and the development of subdivided publishing categories, trying to restore a Chinese publishing industry in a pandemic and even a post-pandemic era.

Our conclusions are based on the published data of professional statistical agencies and the opinions of news and publishing industry observers reported by the corresponding media, as well as the results of our analysis.

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The Overall Size of the Book Market Has Shrunk

Affected by COVID-19, the Chinese book market, which has continued to grow in recent years, has ushered in its first negative growth in 2020. The overall size of the Chinese book market in 2020 is about 200 billion (cover price in total), of which the book retail market sales accounted for about 45%. Looking back at the development of the book retail market from 2015 to 2019, the overall retail market has maintained a growth rate of more than 10% for many years [1]. The outbreak of the pandemic has had a direct impact on the book market. According to the "2020 China Book Retail Market Report" released by the OpenBook which is the China's largest book retail statistics company, the scale of China's book retail market in 2020 has dropped by 5.08% year-on-year, and the scale of the book retail market will be 97.08 billion yuan [2].

In the past two years, affected by the supply-side reform of the publishing industry, the number of new book publications has shown a downward trend, and the slowdown in production pace and many uncertainties brought about by the pandemic has caused the number of new books to be reduced again in 2020. According to the cataloguing in publication data from China archives of publications in 2020, all publishing houses in China have declared 268,369 new book titles, which is a decrease of 9007 from the 277,376 in the same period in 2019, a year-on-year decrease of about 3% [3].

With the gradual control of the pandemic and the steady progress of the industry's resumption of production, the operating efficiency of publishing institutions has returned, and the total number of monthly new book has gradually increased. In July 2020, the new books approached 30,000. Although there have been ups and downs since then. The total number of new books per month is generally maintained at more than 20,000. It can be found that the publishing industry returned to average quarter by quarter in 2020.

Trade Publishing: Children's Books Are Still the Driving Force for Growth

Trade Publishing refers to publishing related to the general public's daily life, leisure and entertainment, and cultural experience. It is also known as consumer books. In 2020, the overall scale of China's trade book market was about 70 billion yuan (cover price in total), accounting for about 35% of the overall book market size, and it is a significant component of the retail book market.

The pandemic has a massive impact on the trade book market, and non-state-owned companies have been particularly affected. Namely, 20% of small and medium-sized book companies have not published a book in the first half of 2020, and more than 60% of companies have tight cash flow [4]. Throughout the whole year of 2020, nearly half of non-state owned companies have experienced a decline in performance. Although the pandemic has changed the 20-year growth trajectory of the book industry, most non-state owned companies do not believe that 2020 will be a turning point for the book industry to decline [5].

Despite the decline in the overall book market, children's books still maintained a slight positive growth, with a year-on-year growth rate of 1.96%. At the same time, the scale of total price for children's books is also continuing to increase. In 2020, the proportion of total price for children's books in the book retail market was 28.31%, increasing 1.96 percentage points year-on-year, ranking first [5]. The number of books in print sold was 300,000, a slight increase from 2019. Affected by the pandemic, sales have further shifted to online. The year-on-year growth rate of children's books in online channels was 15.64%, and the proportion of total price increased by 2.19 percentage points compared with 2019, reaching 30.25%. However, the development of the bookstore is not optimistic. The year-on-year growth has reached the lowest level in the past five years, at -41.95% . The proportion of fixed price has also dropped by 2.13 percentage points from 2019 to only 15.11% [6].

Not only children's books but also the sales of trade books are shifting towards online. This aspect is due to the rapid growth of new channels developed by social platforms such as Tik Tok and Kwai. It also depends on the increase in online discounts. In 2020, online retailers represented by DangDang and JD.com further intensified their price wars. The average discount on e-commerce books has dropped to 60%, and the actual purchase price of many children's books is below 30% the list price. Complete reduction activities cover almost the whole year.

Educational Publishing: Higher Education Publishing Revenue Shrinks

Educational publishing refers to the publishing category related to learning, education, and training. The content of educational publishing generally needs to be systematically organized, planned, and compiled, and the theme presents the characteristics of serialization, standardization, and systematization. Educational publishing mainly includes two major sections: textbook publishing and teaching supplement publishing.

At the beginning of 2020, the COVID-19 spread rapidly, and the publishing industry was affected by the suspension of printing, sales, and distribution logistics. However, for the publication of textbooks in the K12 sector, many publishers have overcome the difficulties of sending books to school and home, ensuring that the books are delivered before online teaching starts. Therefore, the publication of textbooks in the K12 stage is less affected by the pandemic. For higher education publishing, due to the suspension of classes in colleges and universities across the country, the distribution of spring textbooks for higher education product lines of various publishing institutions in 2020 has almost been suspended, with heavy losses. "The goods cannot be sent out, and the money cannot be collected" was a dilemma faced by much higher education textbook publishing units during the pandemic. In addition, library distribution, one of the essential channels for higher education products, was also difficult to promote because of the closure of universities [7]. Although some library distributors held online order fairs and they announced that purchase amounts were relatively substantial, the actual effect was not ideal. The orders were not realized because they could not be delivered, and the revenue could not be finally

confirmed. All kind of unfavorable feedback on revenue is a decline in this sector. In the first quarter of 2020, the revenue of much higher education textbook publishing units fell by more than 40%. Entering the autumn of 2020, higher education publishing has been slightly relaxed, but income has shrunk as a fact. At the same time, higher education textbook publishing units are also changing their traditional way of distributing textbooks to increase their anti-risk capabilities gradually.

Academic Publishing: The Pandemic Affects Short-Term Income

Academic publishing also known as professional publishing, describes the patterns and laws of natural and social development, serving individual professional development and social, technological progress, and is also the most professional, most profound, and most subdivided publishing industry category. Books in the categories of science, technology, medicine, and law are typical representatives of professional publishing. Compared with trade publishing, academic publishing is not aimed at the mass market, and there is more funding for scientific research. For academic publishing units, the total revenue of a scholarship publishing project is often greater than the sales revenue of its books. Among the several major publishing categories, there are many professional publications, but the market size is relatively small. In 2020, China's academic publishing market size was about 14 billion yuan, a further decline from 2019. The impact of the pandemic on academic publishing is not entirely reflected in sales. Due to the decline in overall purchasing power and consumption levels in 2020, accompanied by the Ministry of Finance and the Ministry of Education have twice compressed the central budget of the ministries and universities, and focused on ensuring expenditures for pandemic prevention and control. As a result, most university scientific research institutions have reduced their funding budgets, strictly controlled the use of funds, and delayed the library's document data procurement plan and other austerity policies. This has had a significant impact on book publishing fees, database product and platform sales, and paper publishing in the academic publishing business. Revenues from library purchases of books and document databases have had a negative impact. In addition, the number of academic publications will also continue to decline due to the policy of the competent authority to control strictly the number of books. However, the market size of academic publishing is primarily affected by the national scientific research funding input. With the continuous increase of R&D funding, there is still much room for future academic publishing.

Channels: Offline Bookstores Are Greatly Affected, While Online Channels Are Further Differentiated

The Offline bookstores were significantly affected by the pandemic. Compared with the previous years, the decline was further increased, with a year-on-year decline of 33.8%. The size of the bookstore sales was 20 billion yuan. When the channels are divided into quarters, the decline of offline bookstores in the four quarters gradually narrowed. The first quarter was the most severely affected by the pandemic, with

a year-on-year decline of 54.79% [2]. Later, with the improvement in the recovery from the pandemic, the industry gradually resumed work and production, and the decline narrowed to 37.43% in the second quarter. Later, with the arrival of the summer vacation and the back-to-school season, the decline further narrowed in the third quarter, down 23.51% year on year. In the fourth quarter, the decline was little changed, down 22.04% year on year.

Since 2016, when the sales volume of book e-commerce exceeded that of offline physical bookstores for the first time, it has maintained rapid growth. Influenced by the COVID-19 pandemic in early 2020, the logistics were temporarily suspended, and the delivery of e-commerce was blocked. As a result, the growth rate of online e-commerce channels in 2020 slowed down compared with the previous years, with a year-on-year growth of 7.27% and a size of 76.72 billion yuan [2] (Fig. 1). As the technology matures and the pandemic accelerated in 2020, online social platforms such as Tik Tok and Kwai have achieved a transformation from "saving traffic" to "transforming traffic." Traditional e-commerce centers of goods and traditional goods selling platform centering on goods and supply chain were available for selling and distribution books. In essence, it is a business of "people looking for goods" and solves the process of "buying." In order to allow people to find goods, traditional e-commerce platforms need to strengthen search, diversion, and recommendation. Social e-commerce centers on interpersonal relationships and uses trust between people to reduce the distrust of products caused by information asymmetry. In the process of "following", if users' consumption demand flashes, sales can be promoted.

The advantages of social platform as e-commerce are apparent. Firstly, the social platform has the flow advantage. Relying on the fission of the social chain expands the user scale, forms the word-of-mouth effect, and then stimulates the consumption demand and improves the conversion rate. In addition, the data advantages of social media platforms should not be underestimated. Compared

Fig. 1 Source: 2020 China Book Retail Market Report From OpenBook, January 2021

with the browsing transaction data such as search, collection, and purchase on traditional e-commerce platforms, the user data of social media platforms is more abundant. More accurate marketing recommendations can be realized through intelligent analysis of users' social relations browsing preferences.

On the WeChat platform, the WeChat official accounts and WeChat stores built by the publishing institutions still have a particular influence: the "private traffic" of the publishing institutions. By doing so, publishers can get more and more long-term exposure to their brands and books, which will subtly affect their status in readers' eyes and ultimately affect their corresponding publishers' online or even offline sales performance. However, not all publishers will benefit from the WeChat traffic dividend. It is the publishers with more followers and more loyal followers that will benefit the most.

Digital Reading: Audio-Book Market Hot, Network Literature into the Focus of Investment

In 2020, China's audio-book market will reach 7 billion yuan. Audio-books, which are "non-contact" and "pollution-free," have maintained rapid growth during the pandemic period. According to CSM data, the pandemic in 2020 will have a profound impact on travel, social interaction, and radio listening. A sizeable audio pattern of "network co-existence" has been formed. After the pandemic, the usage of audio media has been greatly increased, leading to an overall increase in the utilization rate of broadcasting and audio throughout the year. In 2020, the usage time of audio will increase by nearly 6 min (an increase of 6.2% year-on-year) [8]. The use of Himalayan, WeChat, Dragonfly FM three applications to listen to live radio streaming accounts for 70% of all audio apps in 2020 [9].

It should be pointed out that in audio content, the content with paper book text copyright as the core does not occupy the advantage. On the contrary, audio drama and audio-books produced according to network literature are more likely to be realized in the current general industry cognition. In 2020, many changes took place in the online literature market. Bytedance has accelerated its layout in the online literature industry. After acquiring iReader technology, Bytedance and Tencent *China Literature* Group are running neck and neck, forming two influential groups, Tencent and Bytedance. From 2019 to 2020, Bytedance invested in six online literature companies, which held no less than 10% of their shares [10]. Bytes to beat in foreign investment as well as to strengthen the construction of the free layout, headlines today will develop novel channel upgrades to launch novel APP, system, intelligent traffic and advertisements in bytes algorithm under the blessing of a novel attracted a large number of users and the author, rapid growth in the short one year time for the free market first [11]. The home closure brought about by the pandemic is good for online articles, which will further squeeze out the mass publishing market regarding attention grab and IP transformation.

Online Education Will Become the Norm, and the Boundary of Paying for Traditional Knowledge Will Blur

During the pandemic period, most teachers and students showed precise demands for digital textbook resources, online teaching systems, and after-school homework systems, and online education became the norm. In a world of after-school training and online platforms, state-owned publishers, who own the copyright of textbooks, are naturally more likely to win the trust of education authorities, schools, and parents. In fact, after the blowout, the problems caused by online education will inevitably require regulatory intervention. Therefore, state-owned publishing houses, which pay more attention to content quality and ideological safety, will undoubtedly have the possibility to re-enter the market.

Payments for knowledge, which overlap and are linked to online education, flourished during the pandemic. Unlike the fact that supply determines the demand for publishing, the nature of payment for knowledge and education is that demand determines supply. Therefore, with the increase of learning demand caused by the pandemic, the overall number of payment users has also increased to a certain extent.

Investment and Financing: The Head Non-state Owned Publishing House Started to Go Public

Starting in 2015, China has promoted the registration system for the securities market. In this context, more and more non-state owned publishing house have begun to go public. In 2020, leading private companies such as GUOMAI, READER, and LELE QU began to apply for IPO.

In 2020, READER, GUOMAI, and Rongxin Education all applied for IPO and were approved by the GEM Listing Committee. They are expected to be listed on the GEM of the Shenzhen Stock Exchange in 2021. The meeting of the three leading non-state publishing house means that China stock market will usher in new public publishing targets after Thinkdom and CITIC publication. Among them, Rongxin Education is well-known in the China's publishing industry as the children's book brand "LELEQU" the parent company, this successful meeting also means that the Shanghai and Shenzhen stock markets are about to usher in the first children's publication target.

From 2017 to 2019, the operating income of GUOMAI Culture was 242 million, 308 million, and 384 million yuan, respectively, maintaining a good growth momentum, and the net profit was 29,318,200, 52,866,800, and 59,215,800 yuan respectively. GUOMAI Culture also announced the TOP5 cumulative sales of public edition books and copyright books to date in the prospectus. Among them, the "Yi Zhongtian Chinese History" series topped the list with a cumulative sales volume of 6,353,200 copies, and the cumulative sales volume of "The Little Prince" in the public edition book was also More than 3.5 million. From 2012 to the end of 2019, there are 7 kinds of books that have sold more than one million

GUOMAI Culture [12]. The company READER is also a very influential brand in China's book industry, creating a large number of best-selling books with prominent marketing methods.

Conclusion

China's publishing industry has undergone profound changes under the pandemic. In the post-pandemic era, China's publishing industry might have a zero-sum game [13]. This is mainly because China's demographic dividend is about to disappear. It is expected that China will usher in an inflection point of population decline in 2023. In May 2021, China liberalized the three-child policy, but the number of newborns is still not positive. As far as publishing houses are concerned, changing their development thinking, reducing scale and focusing on variety and efficiency will be the only way for future growth.

While technology promotes the videoization of the reading industry, it will also bring new opportunities and challenges to the publishing industry. With the continuous innovation and development of technology, it will drive changes in content dissemination channels and content forms. At present, on short video social platforms such as Tik Tok and Kwai, the transaction volume of books is increasing day by day, and it has evolved into an online sales channel as important as DangDang and JD.com. In the future, with the popularization of new technologies represented by 5G and artificial intelligence, the efficiency of the publishing industry will be further improved.

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