Research on the Digital Transformation of China’s Traditional Publishing Industry Based on an International Perspective

Bao-Ling LI
Marketing Dept. School of Management & Economics
Beijing Institute of Graphic Communication, Beijing, China
lbl@bigc.edu.cn


Abstract. The global publishing industry is undergoing the transformation from traditional publishing to digital publishing. The western developed countries as the digital leaders have basically completed the digital transition in publishing industry. Although the digital publishing industry in China has grown rapidly in recent years, the pace of digital transformation in traditional publishing filed is quite slow compared with the developed countries. Therefore, the paper explores the current situation of digital publishing home and abroad, and then proposes some digital solutions for traditional publishing in China based on the international successful experiences.

Introduction
Driven by the digital publishing technology, the global publishing industry has experienced profound changes in the digital transition. The rapid development of digital publishing industry has not only brought great impacts on the traditional publishing industry in China, but also provided broad prospects for the future development of the traditional publishing industry. Data show that traditional publishing industry in China is going on a new journey to the digital transition. However, compared with the developed countries abroad, China's traditional publishing industry is far behind in the output and market size in digital publishing. The paper explores the current situation of digital publishing abroad and compares the gap between China and developed countries, then proposes some digital solutions for traditional publishing in China based on the international successful experiences.

Features Of Digitalization In The Publishing Industry In Developed Countries
Given the impact of digital publishing, the developed countries take a positive attitude to greet the arrival of the digital wave and make full use of the chance on the way to digital publishing transformation with its own funds and resources advantages. Currently they have made remarkable achievements in the digital development process and shown the following characteristics

Digital Revenues Accounting for More Than 50% in the Total Revenues of the Enterprises. As early as the 1960s, some world publishing groups in Europe and America have invested in digital publishing and digital wave. By the end of the 20th century, several big international publishing giants have basically accomplished the process of the digital transition and build a huge database by resource integration. Currently, the digital revenue in the world publishing industry has accounted for more than 50% of its total. In the year of
2013, the related digital business income for Springer, according to the annual report, has accounted for 61.8% of the total; Reed Elsevier Group, with 81% revenue from electronic-related business, has become the world's fourth largest content provider in electronic pay [1].

**Content Advantage as the Core Competency for Developing Digital Publishing.** Digitalization has changed the publishing carrier and the way of reading, however, the role and status of the content resources has not been changed. The principle “Content is king” still applies in the era of digital publishing. Large publishing groups in developed countries can keep its dominant position in the digital transition mainly due to its competitive advantage in content resources. World large publishing groups in Europe and the United States generally have a long history with relatively large size, and have taken monopoly or a clear advantage in one or a few areas with profound accumulation of content resources. As representatives of international publishing giants, Springer, Thomson and John Wiley are taking their immersive resources advantage and setting up databases by technology transfer and resources integration to satisfy the requirements of digital network media. They have established relative mature digital business model, and can provide a variety of digital products and services according to the requirements of readers. Thus they have occupied an absolutely dominant position in digital publishing competition.

**Business Scale as the Foundation of Developing Digital Publishing.** Resources accumulation and integration is the core of digital publishing business. Foreign publication market with high industrial concentration substantially have monopolized by several leading publishing groups. Moreover, industry's capital flow is not restricted, publishing companies can achieve resources re-integration through various means such as assets restructuring, mergers and acquisitions. As a result, foreign publishers quickly realized the optimal allocation of resources necessary for industry development through capital integration and content resources integration. For example, Thomson Reuters merged by Thomson and Reuters in 2008 has become the world's largest financial information group [2]. In 2015, Global Media Group acquisition increased. Science Business Group of Springer Group combined Science Education Group of Macmillan Publishers Ltd. and set up Springer Nature Group; John Wiley has become the market leader in CFA curriculum by purchasing the leading CFA exam content provider --AnalystSuccess.com [3].

**Diversified Digital Marketing as the Premise of Digital Success.** In addition to focusing on the application of digital technology, foreign publishers also actively and effectively develop new marketing approaches. For successful marketing in the digital age, how readers can find what they want in the immersive digital resources is a primary factor. The biggest advantage of the Internet lies in the convenience and timeliness of information. With the rapid expansion of the Amazon and other online bookstores, Harper Collins, Random House and other publishing companies are marketing their books on their websites. Harper Collins provides the link of its published books on its website as well as all the popular search engines and portals, and also send books information to the target users through e-mail regularly in order to establish direct and stable relationship with its readers. For further expanding its Internet business, Bertelsmann created the Bertelsmann online (BOL), integrated with Bertelsmann book club and built an online platform to provide support for the book club business. Furthermore, it tried to find and attract readers through the new media department of its Random House in portal sites and online communities. Pearson paid special attention to meet the needs of customers in the marketing and focus on customers. The product must be designed for the needs of customers with their unique identity, but in line
with the scale of production efficiency requirements. Sales channels should be willingly accepted by customers.

**Sound Digital Publishing Legal System as Guarantee of Success.** Publishing groups in developed countries put special emphasis on the construction of legal system in the process of digital development. Britain is one of the countries with most perfect legal system and the lawyers have been advocating practical experiences. Although there is no specific UK publication law for the publishing industry, more than 20 related laws such as “Copyright Law”, “Data Protection Act”, and “Post Law are issued. Management in book publishing, various libraries and book circulation can follow the related laws, so that the publishing industry can operate under strict legal environment. In the United States, the rapid development of digital publishing is also inseparable from the perfect legal system. The legal system of American digital publishing has experienced a long way in evolution with the release of following laws, “Copyright Act of 1976”, the White Paper “Intellectual Property and the National Information Infrastructure” in 1995,” “Online Copyright Infringement Liability Limitation ACT of 1997”, “Clarifying Digital Rights and Technical Education Act”, “Digital Millennium Copyright Act of 1998” and “Digital Consumer Right to Know Act of 2009”. As far as copyright acquisition is concerned, foreign publishers have also created a relatively perfect authorization model. Large publishing groups mainly gain authorization through the copyright collective management organizations, professional copyright agencies, agents and group’s purchase. Besides, they can also gain copyright by acquiescence, “Creative Commons” protocol and “Citizen Authorized Internet Alliance”. The series of digital publishing laws and regulations provide a sound legal protection for the US digital publishing, and make good examples in the construction of digital publishing legal system for the rest of the world [4].

**The Current Situation Of The Digitalization In Traditonal Publishing In Publishing Industry In China**

Digital publishing in China has shown a tendency of rapid development in the past five years and become a new growth point in publishing industry. However, there is a big gap compared with developed countries in the term of the output revenue and market size in traditional publishing filed.

**The Digitalization in China’s Traditional Publishing Field is Still at the Initial Stage.** The 2016 Annual Report on China's Digital Publishing Industry shows that the total revenue of digital publishing industry amounted 4403.85 billion RMB in 2015 with an increase rate of 30%. The revenue rate of digital publishing in the press and publication industry rises from 17.1% in 2014 to 20.5% in 2015. More than 90% among the total revenue comes from online games, online advertising and mobile publishing. The revenue from related traditional publishing such as e-journals, e-books and digital newspapers total up 74.45 billion RMB, account for only 1.69% in the total digital publishing revenue and the ratio is declining year by year within the past five years (see table below). “From these data, we can draw the conclusion that China’s digitalization in traditional publishing filed is still at the initial stage.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Revenue of Digital Publishing Industry (Billion)</th>
<th>Total Revenue of Traditional Publishing Digitalization (Billion)</th>
<th>Ratio of Traditional Publishing Digitalization among the Total Revenue of Digital Publishing Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Digital Newspaper</td>
<td>E-journals</td>
</tr>
<tr>
<td>2011</td>
<td>1377.88</td>
<td>12.0</td>
<td>9.34</td>
</tr>
<tr>
<td>2012</td>
<td>1935.49</td>
<td>15.9</td>
<td>10.83</td>
</tr>
<tr>
<td>2013</td>
<td>2540.35</td>
<td>11.6</td>
<td>12.15</td>
</tr>
<tr>
<td>2014</td>
<td>3387.70</td>
<td>10.5</td>
<td>14.3</td>
</tr>
<tr>
<td>2015</td>
<td>4404.85</td>
<td>9.6</td>
<td>15.85</td>
</tr>
</tbody>
</table>


**Traditional Publishing is Quite Weak in the Competition of Digital Publishing.** China's digital publishing begins entirely from the technical field. Traditional publishing enterprises are still relatively weak in digital publishing business. CNKI, Chongqin VIP, Wanfang Data and Dragon Source occupied more than 90% of market share in national Internet journal market. Founder, Superstar and Hanvon accounted for more than 90% market share in national e-book market with millions of book resources and strong dominance of consumption. Two telecom operators (China mobile and China Unicom) controlled all mobile publishing business while Chinese All, Grand Literature are the main force of original literary websites in internet publishing business market. Therefore, traditional publishing enterprises are still at a disadvantage in the competition of digital publishing business.

**The Industrial Concentration in Traditional Publishing Industry is Low.** Publishing industry has the characteristic of scale economy. The larger publishing companies are, the lower marginal cost of unit product is. In Western countries, the concentration of the traditional publishing industry is generally higher. America's top 20 publishing companies accounted for 85% market share; 7 Great Britain British publishing groups hold most of the English market share. Russia’s largest publishing group EKSMO-AST occupies 20% of the country's publishing market share. The international media giants have a strong ability of resource integration and monopolize all the publishing resources information and information dissemination channels, so they have the unique advantage in the digitalization process of publishing business.

**Traditional Publishing Companies Have No Control Over Digital Copyrights.** Copyright is a kind of right for its author who enjoys ownership and control in accordance with law while digital copyright, as an extension of the copyright, is the right for their authors who hold ownership and control over his works digital carrier. The core competency of digital publishing lies in technology development and copyright value. Only when publishers’ gain
the digital copyrights of the works could they obtain profits form it. In traditional publishing model, publishers only have a certain period of exclusive right to use the content resource for the paper carrier, if they can’t get more authorized author (including DRM), they would not have the right to control high value-added derivative products and control digital content copyright of the works. While in the international arena, some big media groups, when they sign the general agreement on copyright with the author and co-author, have the right to develop the works in whole or in part.

The Governance Structure for Digital Publishing is Imperfect. Top managers and operators are mostly professional publishers and entrepreneurs in foreign publishing groups in which it has a very perfect incentive and constraint mechanism in equity and options. The rise or fall of long-term performance of publishing groups is closely related with their own interests, so as long as they gain shareholders’ authorization, they would have to operate according to the market principle. While in China all press, magazine and newspaper agencies in traditional publishing industry are public institutions or state-owned enterprises, top managers are appointed by the competent units, who are no incentive in the digital transition and manage digital publishing business in the way of paper publishing model which is not suitable for the changing digital era.

Solutions For Traditional Publishers To Develop Digital Business In China

“Chinese publishers should seek efficient developing solutions in internet thinking”, said Wu Shangzi, deputy director of State Administration of Press, Publication, Radio, Film and Television in 2014 Beijing International Publishing Forum [5]. In the era of media convergence, both traditional publishing and digital publishing need to change their thinking patterns, deal with the relationship between both with cooperation instead of competition, realize the complementary advantages, and integrate related technology and resources to meet the diverse needs of the readers on the target market. Therefore, traditional publishers should seek a breakthrough in digital development based on the concept of integration and development.

Digitalization Should Be One Part of Business Developing Strategy. Digital publishing is the only way for the future publishing industry in China. The current primary task for traditional publishing companies is to develop digital strategy and make it as one part of overall business development strategy. Publishers should reach an agreement on digitalization, change the traditional business philosophy, and formulate a unified planning for digital transition so as to obtain sufficient attention of all related members and resources support. In addition, positioning, developing goals and planning should be in the place based on the development strategy, which will help to implement digital development strategy.

Conglomeration Can Accelerate the Process of Digitalization. China's publishing companies generally are relatively small in size, low industrial concentration with resources in a highly dispersed state. “Resources owned by one publishing unit are not sufficient to meet the desired size of economy for digital communication, thus have no ability to accumulate massive information and integrate information resources, which fundamentally delay the transitional process from traditional publishing to digital publishing” [6]. Therefore, traditional publishers should first establish a larger group in size by acquisitions, mergers to build cross-media publishing platforms, which can integrate diversified resources and technical capacity to achieve convergence between the traditional publishing and digital publishing and to reach mutual promotion and coordinated development through interaction online and offline.
Developing Profit-making Business Model in Digital Era is the Key. Having a profit-making model can help traditional publishers survive in the digital age. They should strive to transit and upgrade to a fully functional modern publishing enterprises to meet the diverse needs of readers. Traditional publishers should first sign a permanent copyright agreement with authors to obtain copyright of the work (including paper copyright and digital rights). Then develop digitally and publish works on paper and digital forms simultaneously. Additionally, provide variety forms of publications for reading online, downloading, hand-held reader devices, so they can gain profits from paper and digital publications and a variety of channels. Apart from this, they can also sell digital copyrights to other professional digital service providers for more income.

Optimization of the Ecological Environment for Developing Digital Publishing is Essential. The healthy development of an industry must have a good market environment. Accelerating digital publishing needs policy support and government guidance with a good ecological environment. The government department should play their positive roles in this aspect. First of all, formulate and improve the relevant laws and regulations in digital publishing, make them easily operate. Secondly, improve the legal system in digital copyright, establish the authentication mechanism of digital copyright, strengthen copyright protection and avoid unfair competition in digital publishing organizations. Thirdly, strive to speed up the formulation of digital standards, build digital publishing standardization system in line with the industry standard and create a fair competition environment. Finally, give more support in policy and funding; create a good atmosphere for the industry development. Good ecological environment is the premise to guarantee the healthy digital development of the traditional publishing industry.

Conclusion

The rapid development of digital publishing industry has brought great challenges and opportunities for traditional publishing industry in China. Digital transformation and development is the only way and inevitable choice for traditional publishing industry. However, it is a complicated and systematically engineering for traditional publishers, there is a long to go for us. We need to draw lessons from the successful experiences of developed countries and explore the digital development solutions with Chinese characteristics.

Acknowledgment

This research was financially supported by Beijing Municipal Commission of Education (Grant NO. 18190115/003).

References

