

## **Behind the Book Publishing Miracle of Taiwan:**

An Analysis of Book-distribution Systems and Commerce Circuits of  
Publishing in Taiwan

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### **Abstract**

While Taiwan's book market is not a big one, but the number of new books published annually is rather startling. According to the statistics from International Publishers Association, there are 42,118 new book titles published in 2013, which means 1,831 new titles for every million people, just less than the 2,875 new titles figure for the UK in the same year. This research is intended to analyze the "book publishing miracle" and book distribution systems in Taiwan, and to explore the rationale operated in these circulation systems. I will argue that, due to the distinct historical and social context, Taiwan's book publishing industry developed a distinguished model, which I call "compressed growth", and this model leads to a "path dependency" of the growth pattern of this industry. Besides that, the over-production strategies and habits of publishers, and some peculiar institutions of the book distribution system, such as return privilege, checkout and payment system between the suppliers and booksellers, all of them have reinforced the publishers' old tactics of "publishing to raise cash for the next book" (以書養書), and contributed to the high volumes of new books of our book market. In addition to the production conventions of the publishers, the inefficient midstream distributors and the powerful chain bookstore also contributed to the oversupply of the book market. All of these constituted a vicious circle of this industry, and cheapen the value of the books.

## I. Introduction

The population in Taiwan is approximate 23 million, and our book market is not a big one when the overall size of Taiwan's economy is considered. But the number of new books published annually is rather startling. According to the statistics from International Publishers Association, there are 42,118 new book titles published in 2013. This would mean 1,831 new titles for every million people. While less than the 2,875 new titles figure for the UK in the same year, Taiwan's statistic nonetheless far exceeds Germany (1,156 titles) and France (1,008 titles), and takes the number-two position worldwide in new books published per capita (See Table 1 below). Nevertheless, this figure is not a new one. According to the annual statistics from the Government Information Office (GIO) revealed in 2008, there are 44,684 new titles published in this year, and similarly takes the number-two or three position worldwide in new books published per capita.

**Table 1: New Book Titles Per Million Population, 2013**

COUNTRY	YEAR	NewTitles +	Change on prev.	New titles per	GDPpC(PPP)
United Kingdom	2013	184000	8%	<b>2875</b>	\$ 36.209
Taiwan	2013	42118	0%	<b>1831</b>	\$ 41.581
Slovenia	2013	3661	-36%	<b>1831</b>	\$ 27.915
Spain	2013	76434	-3%	<b>1626</b>	\$ 32.103
Georgia	2011	7736		<b>1547</b>	\$ 7.165
Czech Republic	2012	16600	1%	<b>1509</b>	\$ 27.344
Norway	2013	6373	-14%	<b>1275</b>	\$ 65.461
Australia	2013	28234	34%	<b>1176</b>	\$ 43.550
Germany	2013	93600	3%	<b>1156</b>	\$ 43.332
France	2013	66527	2%	<b>1008</b>	\$ 36.907

**Source: IPA 2014: 17**

How can we explain this “book publishing miracle” of Taiwan? Some publishers thought the huge amount of annual new titles reflected the demand for diversified knowledge and diverse reading taste in Taiwan (Chen 2007; How 2007). But according to a survey by a magazine Global Views Monthly in 2014, about 27.9% Taiwanese don't read book, and both the

reading hours and book-buying founding of book consumers were declining comparing to 2010. This trend seems hard to fit the readers demand arguments providing by the publishers.

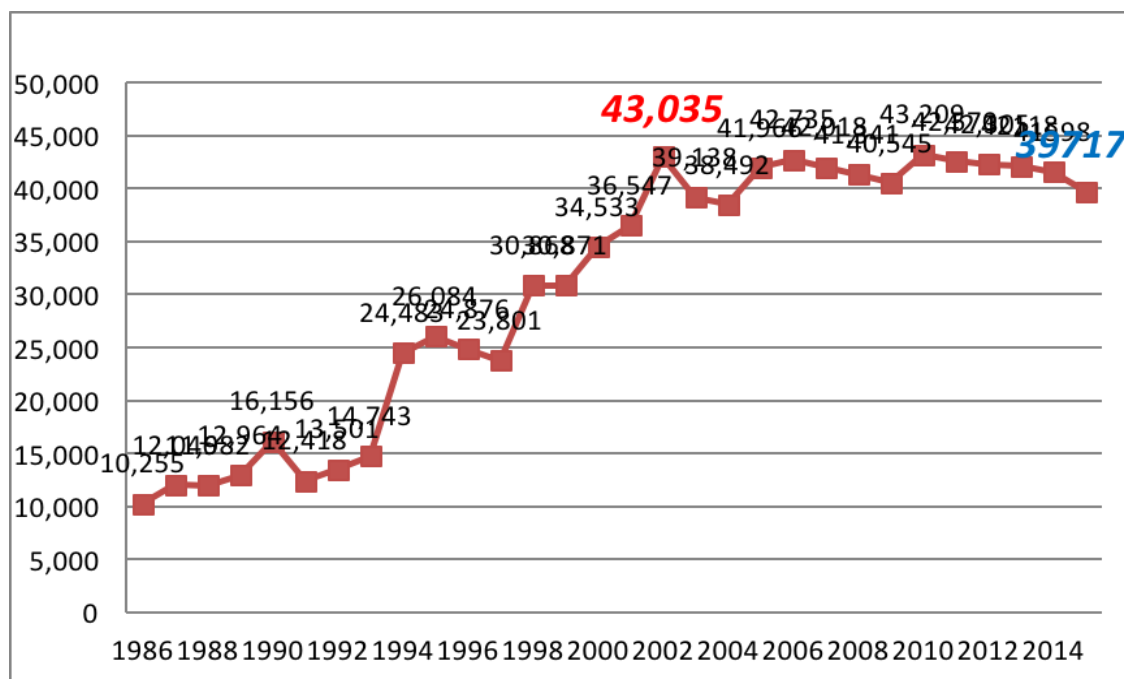
This research is intended to analyze the “book publishing miracle” and book distribution systems in Taiwan, and to explore the rationale operated in these circulation systems. I will argue that, due to the distinct historical and social context, Taiwan’s book publishing industry developed a distinguished model, which I call “compressed growth”, and this model leads to a “path dependency” of the growth pattern of this industry. Besides that, the over-production strategies and habits of publishers, and some peculiar institutions of the book distribution system, such as return privilege, checkout and payment system between the suppliers and booksellers, all of them have reinforced the publishers’ old tactics of “publishing to raise cash for the next book” (以書養書), and contributed to the high volumes of new books of our book market. In addition to the production conventions of the publishers, the inefficient midstream distributors and the powerful chain bookstore also contributed to the oversupply of the book market. All of these constituted a vicious circle of this industry, and cheapen the value of the books.

## **II . The Legacies of Martial Law: Compressed Growth and Other Effects**

The publishing industry and book market in Taiwan had not been a real free market until late 1980s. Before then, speech and publishing freedom in Taiwan was controlled rigidly by the state for almost 40 years, and the publishing industry was restrained for a long time, and this constituted a specificity of the book publishing industry. Taiwan is basically a migration society; and was colonized by Japan for fifty years. And under the Martial Law, books and magazines had to be censored by the state before or after published, this situation didn’t redeem until the KMT government lifted Martial Law on 1987. And the book industry was somehow buffered from the great structural changes which happened in Western publishing industries. But once the constraint on publishing was loosed in post-Martial Law era, the energy repressed for several decades was burst into blossom in a short time. From the late 1980s, Taiwan’s publishing industry grew at a rapid and

striking rate. The number of the publishing houses increased very soon, and the new titles published every year grew in geometric progression in 9 to 10 years. There were 24,483 new book titles in 1994, and 30,953 titles in 1998, and 43,035 new titles in 2002 (See Figure 1).

Figure 1: New book titles published from 1986-2015



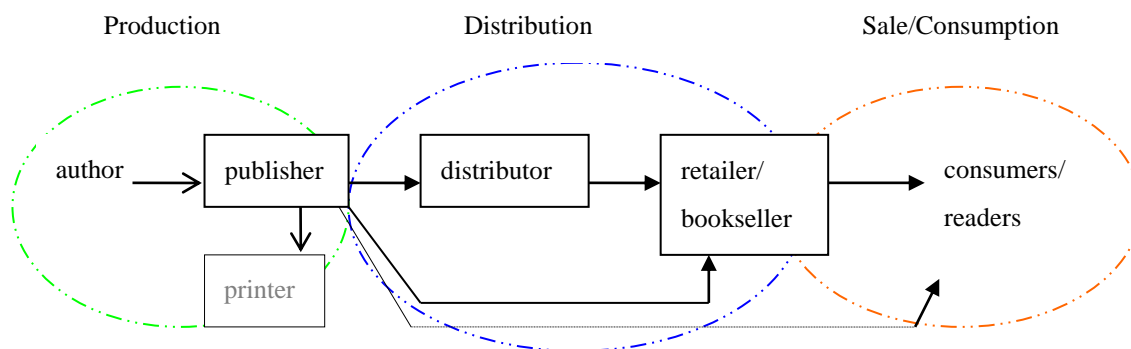
To describe this phenomenon, I use the concept “compressed growth” borrowed from the concept “compressed modernity” coined by Korean scholar Chang Kyung-Sup (1999). Chang used the concept to indicate the development of industries and modernization in post war South Korea, which was compressed in 50 years in comparison to three centuries development in Western Society. Similarly, in my usage, there are two implications in term of “compressed” or compression of Taiwan’s publishing industry, which means, 1) the energy of publishing burst into growth in a relative short and compressed period; and 2) the publishing industry in Taiwan has to face the structural and technological changes in a compressed and short run.

Except for the “compressed growth” of Taiwan’s book industry in the post-Martial Law period, there were several legacies of the long-term

political constraint of publishing industry. First, the numbers and size of publishing houses were restrained under Martial Law era. Second, the volumes and categories of books which could be published were limited because of the political regulations; but when the regulations were lifted in late 1980s, the titles and categories diversified immediately, a publishing company even published Chinese version of Karl Marx' classics "Capital", which was banned for 40 years in Taiwan. Third, the structure of publishing supply chain was affected by the condition mentioned above, that is, many small publisher houses had to rely on middle to small sized distributors and regional resellers to distribute books, but the speed and efficiency was affected by the complex networks and circulation systems to convey and distribute books. As the distributors were limited by their economic scale and profit, few of them had active motives to invest in computer or automatic systems to improve their distribution and managing efficiency.

### **III. Middlemen in Book Supply Chain and the Problem of Distribution**

In order to elucidate the book distribution system and the structure of the publishing industry mentioned above, we could begin from the supply chain of the books. The book supply chain could be roughly divided into three sectors: production, distribution, and sale. When an author completes a manuscript, he/she needs the assistance from some cultural intermediaries who occupy one of the nodes to bring the author's creation in the form of a book into the hands of interested readers. Figure 2 shows a simple representation of this chain. In this diagram we can find that publisher, distributor, and bookseller occupy the important intermediary positions between author and readers.



**Figure 2: The book supply chain**

For the most part, publishers do not sell their books directly to consumers (although some publishers may sell a proportion in this way through mail order, book clubs, publishers’ websites, etc.). For example, the publishers in United States sell the vast majority of their stock to booksellers and wholesalers, in this sense, their main customers are not readers but rather the intermediary organizations in the supply chain. This exchange relationship places publishers in a position of double dependence on the middlemen. On one hand, some publishers count on the distributors to deliver and stock their wares. Many small and medium-sized publishers will outsource warehousing and distribution, since they are too small to achieve economies of scale and to maintain the level of investment in physical plant and new technologies (Thompson 2005:23). On the other hand, a lot of publishers’ sales and promotional campaigns rely on the bookstores. For most readers, the only way for them to contact with the books is when they walk into a bookstore to browse or buy them in addition to advertisements and book reviews in the mass media. In order to save the advertising and promotion costs, many publishers get used to confine their direct selling effort to retail bookstores rather than readers. As the “fixed cost” of spreading information weighs heavily on the publishers and books which will interest a small number of readers. Yet most will not elicit a purchase (Caves 2000: 147).

Although the publisher is only one of the sectors involved in the book supply chain, and they rely on the other middlemen for distribution and selling their products, yet most of the earlier studies about book industry

focused on the publishers and editors, i.e. the production sector, and paid little attention to the other roles or just treat them as the “key outsiders” in this industry. Even if there was near consensus that the industry’s most intractable economic problem was its distribution system (Miller 2006: 32), the distribution sector still had often been overlooked by the studies of the book business.

Though the wholesalers in other industries were essential to rationalize distribution in American commerce (Chandler 1977), the wholesalers, distributors or jobbers as they were generally called, were still a relatively minor force in the book supply chain. As one research about the bookselling in the U. S. analyzed, the jobbers were seen marginal in book industry, and their status as outsiders were reinforced by their apparent distance from the culture of the book world. Besides that, the wholesalers’ active roles in servicing non-book retailers such as drugstores and newsstands also made them be excluded from the mainstream of the industry (Miller 2006: 32-33).

However, the neglect by lots of the existed studies should not undermine the importance of the distribution sector in the book supply chain. Especially the “distribution problem” was considered the bane of the book trade (Miller *ibid.*, 28).

As American sociologist W. W. Powell (1983: 51) indicated, any analysis of book distribution must begin with a basic point: the hundreds of publishing firms use a wide variety of marketing channels to reach the book-buying public (Powell 1983: 51). Imagine, about 120,000 new titles of books are published by 20,000 publishers in United States each year, and there are about 12,000 bookstores as well as numerous other outlets such as drug and grocery stores and supermarkets sell books around the country. Due to the large number of publishers and retail outlets, it becomes a cumbersome and unmanageable challenge to deliver so many books in a timely and accurate manner. This raises a problem of efficiency. Yet it was condemned that the archaic practices of the distribution system prevented this from happening in an efficient manner (Miller 2006: 28-30).

As American publishing industry historian John Tebbel complained in 40 years ago, the distribution problems were resulting from the unique nature of book publishing:

No other business puts out some 40,000 products on the market every year, each one of them different from the other, places them in retail outlets by the most haphazard means, compels most of them to make their way without benefit of any but the most minimal advertising or promotion, does little if anything to help the retail outlets with their problems of overcrowding and mostly inferior management—and then agrees to accept all the books the retailer has bought which it hasn't been able to sell. These books are then either destroyed or remaindered in a final process from which the author, who keeps everybody alive by producing the product in the first place, gets nothing. (Tebbel, 1975: 141-147.)

The defects of the book distribution system are partly a consequence of the industry's strength and diversity in publishing new titles. Like other cultural industries such as music and film industries, the publishing organizations have to face high degree of demand uncertainty due to shifts in consumers taste preferences (Hirsch 1972; Caves 2000; Hesmondhalgh 2013), which make this industry a particularly risky business. Given the relatively high degree of uncertainty and unpredictability about consumers' response, companies tend to offset misses against hits by means of "over-production" (Hirsch 1972), for example, most publishers used to adopt a practice which named "frog model": fertilize a lot of eggs, hatch them and hope that some will survive and eventually turn from tadpoles into frogs (Thompson 2005: 17). If they are lucky enough, one of their frogs could become the goose that laid golden eggs. Strategies like these constitutes the overcrowding of the book market and burdens the ability of distribution system.

Another way for the publishers to cope with the demand uncertainty is to allow booksellers unlimited privileges of returning unsold books for full credits. This "return privilege" is one form of promotion adopted by American publishers in the 1930s. During the Great Depression, in order to encourage booksellers to take books that they might otherwise be disinclined to stock, publishers allow them to return unsold books, and it has continued to the



present day. It has some advantages for publishers, because it lowers the risk for booksellers and thus helps to ensure that new books are stocked and displayed in bookstores. But the risks are simply shifted back on to the publishers, who may be faced with substantial returns of unsold books, which depresses their sales figures and could cause serious stock management problems. Publishers may also find it difficult to ascertain how many copies of one single title they have really sold, since stock supplied to bookstores may not have sold to customers and may be returned in the end (Coser et al. 1982; Powell, 1983; Caves, 2000; Thompson, 2005).

Besides the overproduction ploy and return policy, Powell (1983: 53-58) imputed the ineffective book distribution problem to another three factors—time pressures, lack of information, and transaction cost. He highlighted that the distribution system imposed considerable transaction costs on both the publishers and booksellers, and the multiple exchange between the both sides were administratively complex. Under this system, bookselling seemed to operate with an inverse economy-of scale principle: the more books published, the less the available time and information. He emphasized that the overall process had reduced the life span of books, and had a deadening effect that cheapened the value of book.

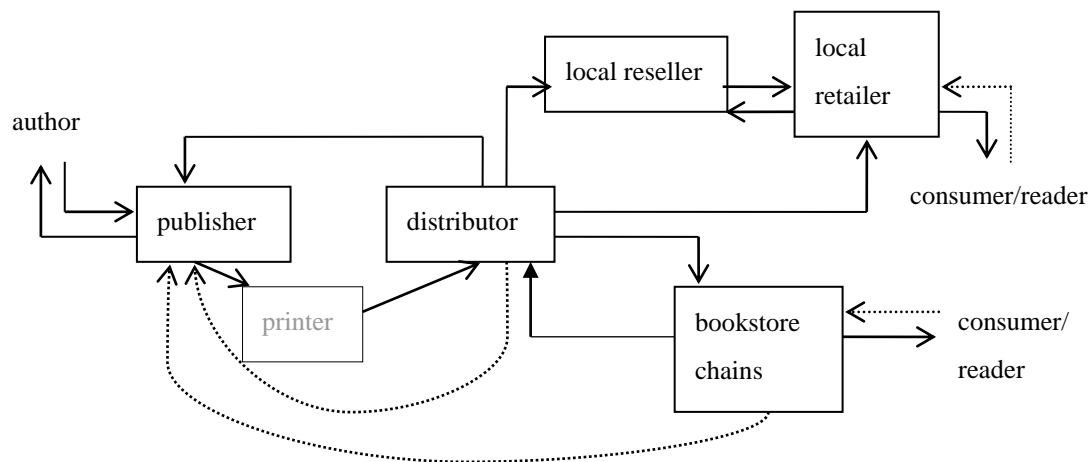
Another view about the inefficiencies in distribution, as mentioned above, was that the wholesalers or distributors did not function well (Miller 2006). Wholesalers or jobbers played rather peripheral roles in moving books from publishers to retailers in the supply chain. Both bookseller and publisher preferred a direct relationship with one another because they disliked their business involving a middleperson, and because they felt out of touch with each other when someone stood between them. Furthermore, booksellers complained that jobbers usually carry the books they didn't want, and that service was slow (Miller, 2006: 32). Since the jobbers were not trustworthy for some parts, some of the larger publishers handled their own warehousing and distribution. Besides that, some booksellers tried to set up their own distribution system, especial bookstore chains. Some researchers thought the rise of chain bookstores could be viewed as efforts to economize on transaction costs (Powell 1983). But on the other hands, their attempts seemed to pull up even more layers on an already complex administrative

structure, and ironically further reducing the efficiency of the distribution system overall.

#### **IV. The Publishing Circuit of Commerce in Taiwan**

To analyze Taiwan's publishing industry and the distribution system, I introduce a scheme named "publishing commerce of circuit" borrowed from the economic sociologist Vivianne Zelizer's concept "circuit of commerce" (Zelizer 2004). Zelizer used the concept to analyze social relations, social exchanges and differentiated ties. In her definition, every circuit involves a network, a bounded set of relations among social sites. But she empathized that there were two features which distinguish circuits from networks, first, circuits consist of dynamic, meaningful, persisting negotiated interactions; second, they include distinctive media and an array of organized, differentiated transfer between sites (which she meant social entities such as individuals, households or organizations). She also pointed out that "each distinctive social circuit incorporates somewhat different understandings, practices, information, obligations, rights, symbols, and media of exchange." She especially designated that she used the word "commerce" in an old sense, which meant "conversation, interchange, intercourse, and mutual shaping. They range from the most intimate to quite impersonal social transactions."

I use the term "circuit" here to replace the one-way circulation route in the book supply chain. As I have discussed above, under the return policy in book industry, the unsold books could be returned from retailers/booksellers, and the market response should be fed back from downstream side to the upstream. And since the exchange parts have to pay for or exchange the returned stocks, books play as distinctive media, just like items exchanged in barter economy. Figure 3 illustrates my application and conversion of Zelizer's concept into a scheme to investigate the key players and their exchange relations in Taiwan's publishing industry. The dot lines represent the retrogressive routes which books returned and the information feedback from booksellers and distributors.



**Figure 3. The Publishing Commerce Circuit**

In Taiwan’s publishing circuit of commerce, there are three key players, which are publishers in the upstream, distributors in the midstream and booksellers/retailers in the downstream.

Due to the speech control under the martial law, the earlier publishing houses were relatively small, and the structure didn’t change a lot. According to a GIO survey, 60.3% Taiwanese publishing houses are firms with ten staff members or less (Ministry of Culture 2014). Besides that, many Taiwanese publishers are identified themselves with intellectuals or cultural elites. In the earlier age, the publishers in Taiwan were required above college education by publishing law, and these literate publishers became a tradition of Taiwanese publishing industry. They also played dominant roles in earlier book markets.

Because their clients are smaller publishing houses, the distributors, the wholesalers or jobbers in Taiwan are small to medium size also. Most work on a local level and only a minority has a nationwide presence. Because of the relatively smaller scale of most jobbers, their investment in automated equipment is insufficient, and their delivery area extends only to their own local county or city. For the most part, delivery across city or county boundaries follows the traditional pattern of supply through another distributor in the customer's locality, so that the transportation pipeline is

long and efficiency is greatly compromised (Huang 2008: 82). Most jobbers are also stuck at the pre-information-age level as far as their information systems are concerned, so that they are unable to provide detailed and complete sales information to assist publishers and retailers in the precise allocation of books.

The fast changing sector in this industry is the downstream, the retail outlets. In contrast to smaller publishers and wholesalers, the chain bookstores grew rapidly. Corresponding to industry expansion in post-martial-law era, the bookstore chains such as Kingstone and Senseio appeared on the scene, transforming Taiwanese bookstores with spacious, tidy, and well-organized stores. Eslite, which came later, made a name for itself with its distinctive interior spaces and readers' activities. In contrast to the small-to-medium-sized publishers, the chain bookstore grew rapidly, and Kingstone and Eslite have emerged as the main outlets for books in late-1990s. In the new millennium, an internet bookstore Books.com.tw (博客來), has exalted to be the most powerful retail outlets in this industry. These three companies accounted for one third market share in Taiwan's book market.

## **V. Research Method**

The main research method I used was the semi-structured in-depth interview. I have interviewed 65 interviewees in the publishing industry in Taiwan. My interviewees occupy the key nodes of the book supply chain and publishing field, including publishers, editors, managers of publishing companies, marketing members, sales, distributors, authors and translators, retailer and booksellers, printers and librarian (See table 2 below).

In addition to conducting interviews, I have done fieldwork such as participant observations. I have participant in workshops and conferences held by different publishing unions or government departments, I also sat in meetings between publishing houses and booksellers to observe the interactions between the two parts, and to understand the buying decisions of the buyers of the bookstores.

Table 2: Interviewees

<b>Occupations</b>	<b>Numbers</b>	<b>Experience in publishing(years)</b>
publisher/editor	26	7-43
Manager	9	15-29
marketing	6	11-30
Sales/distributor	6	7-32
Author/translator	7	—
retailer	9	7-32
printer	1	14
librarian	1	20
Sum	65	

## VI. Transaction Institutions and Structure of Publishing Circuits of Commerce

The “compressed growth” model as I have pointed out above has facilitated the rise of middlemen in this industry. The publishing industry in Taiwan had not expressed its vitality until the end of martial law in 1987. With the end of political censorship, and the contemporaneous economic boom, both contributed to dramatic expansion of this industry. The number of new titles published jumped from 4,565 in 1980 to 10,255 in 1986, and 12,046 in 2000. During this period, the number of publishing houses grew rapidly, from 1,350 to 2,900 in 1987 (Xin 2000). Because of the increases of new publishing houses and expanding book market, the roles of distributors became more important than before. In post-Martial Law period, the size of distributors was enlarged, and the number of these companies was increased for a short time. As a jobber estimated, there were at least 20 new book distribution companies found from late 1980s to late 1990s (Tseng 1999: 284). Besides that, the functions of these middlemen in the industry chain had

been expanded into information and commercial circulation in addition to convey books and logistics managements.

However, because of some specificities of book industry, the transaction relationship between middlemen and their upstream and downstream partners was much complicated than the functions described above. As Zelizer (2004: 124) pointed out in discussion of circuits of commerce that “each distinctive social circuit incorporates somewhat different understandings, conventions, information, obligations, rights, symbols and media of exchange”, and it imply an institutional structure that reinforces credit, trust, and reciprocity. In the publishing circuits of commerce in Taiwan, this distinctive institutional structure includes some trading institutions prevailed in this circuits, such as the return privilege (mentioned above), “monthly check out and payment system”(月結制), and “retention money” (保留款). All of these institutions have enforced the embedded relationship between publishers and their distributors, and this kind of overembeddedness (Uzzi 1997: 59) has reinforced the overproduction ploy adopted by the publishers, and consolidates the oversupply and inefficiency in this industry.

- **Monthly Check out and payment systems (月結制)**

In Taiwan, the payment system between suppliers (including publishers and distributors) and retailers (such as booksellers) call “yue-jie” institution (月結制), which is an agreement that retailers should pay to suppliers in 60 days (usually by check) after monthly balance. This institution is different from the consignment one, in which suppliers are only paid after books were sold. Although the former is not a formal accounting system, it is still popularly accepted in Taiwan’s publishing industry due to its convenience. The time this monthly payment system began to be prevalent in Taiwan’s book business could be traced back to 1980s.

In the martial law era, as the publishing freedom was suppressed, audiences’ reading demand was also restrained. Although the publication genres and titles were limited, there was thirst for information and knowledge. According to senior participants in book industry, the book

market had been undersupplied before 1980s. As Senior publisher Shih-Pin Su analyzed, “the earlier situation demand exceeded supply came from the limited titles, the ordinary new book could sale 30% to 40% in the first month if it was not too hard or too bad, so the booksellers were confident that the book could sale for a long time, and were not eager to return the unsold ones.” (Su 2007: 368) He also pointed out, during that period, most books were salable for booksellers, so they were seldom returned. In this situation, it gradually developed a checkout and payment agreement with stock minus returned at the end of the month, and paid with a 60-days check. This was the background of the formation of the conventional monthly payment system (ibid: 368).

In this sense, the monthly checkout and payment system could be seen as a variation of the return privilege. But the power relation between the publishers and booksellers is slightly different. The return privilege decreases the risk of booksellers, but the risk shifts back to publishers. Comparing to the return policy, monthly payment favors the publishers, for they don't have to pay back the returned books, and just to exchange them with their new books. But during the undersupplied time, booksellers were pleased to maintain a long-term trading relationship with publishers and wholesalers through this payment institution. If books could sell incessantly, booksellers had not to worry about the risk of stocks. In the opinion of Su, this institution had become “a reasonable and welcomed system” for the participants in the industry from the mid-1980s” (ibid: 368).

However, like the unintended consequence of the return privilege, the risk of the uncertainty and unclearance has been ascending under the monthly payment system. Because this checkout method only accounts the input-output balance of the stock, booksellers and distributors rarely have an accurate account of how many copies of each individual book title has sold, and have little reliable sale information that can feedback to their suppliers. In the long run, the publishers are not sensitive to the market response. Another consequence of this institution was that, publishers have developed a habit of putting out new books in order to raise the cash for the next book. With this tactics, publishers don't have to take the money out of their own

pockets to pay for their returned stock, the only thing they have to do is to publish more new books.

Another character related to the habit of Taiwan's publishers was "not to lose will win" (不輸就會贏), it is a kind of logic of field resembles the "frog model" to manage the demand uncertainty. Because of demand uncertainty, many publishers and editors have an idea in mind to issue a new book title to some extent just like to gamble. But in most Taiwan's publishers and editors tend to believe that, if they controlled the cost, not to lose too much to erode their roots(老本) · they still have the chance to bet on one or two bestsellers to profit. When it happens, then they win (interviewee OB01). One the motives for many publishers to set up their own businesses was to publish ideologically, culturally or aesthetically distinctive products rather than to profit (Davis and Scase 2000: 105), this kind of culture ideal was encouraged when the cost to issue a book was not too high. As one interviewee told me, "every book has the potential reader who needs it" (Interviewee P002), and this ideal was reinforced in the undersupply period. As veteran publisher Shih-Pin Su's (2007) statement mentioned above, most books were seldom returned during that period, so the publishers got the confidence to keep introducing their ideal books to the audiences without considering whether they are salable or not. Only if they spent too much money on these books could they lose, after all.

Both these two practices contribute to huge amount of new books in the book market, but they are understandable and tolerated when the market is flourishing. But during times of economic stagnation, with the rising supply and shrinking demand, the practices of surplus production become problematic.

Considering "compressed growth" model discussed above, the number of new books published increased quickly in the post-martial-law period. This overabundance of titles caused the book return rate was getting to approximate 40% to 50%, and publishers, booksellers and wholesales all had to pay a price for the returns. However, since the supply had exceeded demand in the book market, and the consumption of the readers was declining, the number of new titles published has remained high due to the



conventional habit of the publishers. New books keep coming out, while the book return rate has been exalting, creating a challenge for the entire industry.

- **Retention Money (保留款)**

When book return rate is getting higher and higher, the risk of unsold books is increasing at the same time, and inventory control is more and more important than ever. To avoid this risk and protect themselves, distributors and booksellers withhold some percentage of payment due as retention money, some directly call it “reservation money for returned book” (退書準備金). In ordinary condition, booksellers and distributors withhold 30% payment in the first print (for example, if the first print-runs are 3,000 copies, then the publishers can only receive payments of 2,100 copies); some booksellers even withhold a sum of money as security deposit, so some distributors would ask their publishing partners to pay for this kind of money. According to my field work, retention money is institutionalized to enroll in the franchising contract in recent years. Comparing to undersupply era, publishers would ask of distributors to provide guarantees for assurance, or they were hard enough to reject returned books from new bookstores, new institution such as retention money indicates that the power relationship between publishers and their outlets has been reversed. And the situation for new publishing houses to survive is getting harder than before since their profit and fluid funds shrink because of this institution.

## **VII. Embedded Relationship in Publishing Circuits of Commerce**

In debates about the positive and negative effects of social relations on economic behavior, the embedded argument that economic action is embedded in ongoing social ties revealed by economic sociologist Mark Granovetter (1985) has become an important theoretical thread. In this section, I would explore the social ties and connections in the circuits of commerce in Taiwan’s publishing field, and analyze the effects of embedded transaction functioned in this industry.

In many ways, book market is different from spot market definitely. Since the main customers for publishers are cultural intermediaries such as distributors and booksellers, there are seldom anonymous transactions in this market, and the transaction relationship between suppliers and retailers is repeated, long-term relationship. Many players in book industry like emphasizing that different sectors in this industry are seeking “coexistence and mutually prosperity” (共存共榮). This phrase expresses the partnership and companionship that they are belong to the same community.

Because of the long-term relationship between suppliers and retailers, the distributors as middlemen in the publishing circuits of commerce have developed strong ties with their trading partners, like bridges to connect their upstream with downstream firms. This embedded relationship is far beyond formal contracts or business dealings, but mixes sharing economic interests with personal connections, reciprocity, trust, etc.

Thus more than one of my interviewees described the relationship with their distributors as “marriage”. And just like marriage relationship in Eastern-Asian Society often concerns the complex social networks of two families between husband and wife; the “marriage” between publishers and distributors is as complicated as marital relationship. Especially when concerns with the transaction institutions like return policy and retention money, it might be more difficult to dissolve the contract for the partners in book industry than to divorce. The key players in the publishing field are somewhat bounded together by the embedded relationship and institutions, which include of relational embeddedness, and resource reliance between them. To some extent, this kind of embeddedness facilitates operations in this circuits of commerce, but it also generates negative effects.

### ● **Relational Embeddedness**

For Taiwan’s publishers, distributors are somehow like the distributing and publication department of their own, especially for small publishing houses that don’t have selling force or warehouses, they have to buy in distributing and inventory services from specialized firms. If the editors or

managers in publishing house could communicate smoothly with the jobbers or sales reps from the distributing companies, it will save time and enhance their cooperation. It is especially important when the new books are coming out. One distributor told me, the most important work for a sales rep is to build “mutual understanding” (默契) with his client. For example, there are different print-run and distributing strategies according to different kinds of books, from conservative (i.e. to deliver to more specific bookstores) to comprehensive (to deliver to all bookstores), and the strategies maybe influence the sales condition (more or less) for one book title. The distributing details and decision were made depending on mutual understanding. This interviewee said, “If the mutual understanding between a sales rep and their client are good enough, when sales rep asks, how to distribute the book? Maybe a sentence such as ‘just the same like that book!’, both of them would understand immediately. This is what called mutual understanding.” (Interviewee D002) But on the contrary, if the mutually understanding is not enough, it might waste their time for communication, even endanger the sales that arise quarrels.

Not only the sales reps of distributing companies should cultivate mutual understandings with managers or editors of the publishing houses they represent, they also have to manage their connection with booksellers. More than one interviewees told me that the capability of a sales rep depends on his connection or quan-xi (關係) with booksellers. A sales rep with good connections could scramble wonderful display space for their clients’ books for free (except for in chain bookstores, where they have more professional display consideration, and not all of them are free), this kind of physical display would be an important form of promotion, for promotion fund for publishers are limited generally. Another advantage for a salesman to maintain connection with booksellers is to know sales and inventory figures more thoroughly, thus he could make arrangements and supplement precedently. One senior marketing manager told me how her boss had trained them to build good connection with booksellers, including to visit each bookstore, chat with the boss, his wife and family, even take notes of these informations. (Interviewee M004).

Another sales manager of a middle-sized publishing house told me one story about the lady boss of a distributing company which has a reputation about managing personal connection with their client. The lady boss complaint that on one occasion she visited a bookstore in southern Taiwan, the shopman told her not to show up to the store, and emphasized that, you just sent your salesperson to come, that's enough! And if your sales deliver toilet papers instead of books, we would sell it out for him! This case shows what extant the connection and trust would be between the distributing sales and the booksellers. The shopman's statement mean that he trust the items the sales delivered would be salable whatever, and show his loyalty to his distributing partner that he would sell the items anyway.

- **Resource Dependence**

Another important function of distributor is to provide sales information of retail outlets, and assist their publishers to estimate the print-run of first print or reprint books. Traditionally, publishers can hardly obtain the accurate sales and inventory numbers of their books considering return policy. Besides that, as there are more than one intermediaries involving in the publishing circuits of commerce, it is harder for production sectors to grasp the information directly in the sales end. Most publishers in Taiwan has to rely on their distributors to transmit the feedback information from retailer outlets. This function has become more important when the rent and book return rate is getting high.

As Sociologist John B. Thompson (2005: 27) pointed out, with the basic economics of publishing, the publishers task is to try to se the prices and print-run of a title at levels that will generate a healthy margin while at the same time minimizing the risks associated with over-printing and avoiding the inefficiency of under-printing. Because the lithography technology prevailing in this industry is a mass production business, that is if the print-run is high, then the cost of each item will be reduced (Greco et. al 2007). But if publishers increase the print-run in order to improve the margin or to lower the price, he could face the risk of over-printing and the margin might be eroded because the unsold books would be returned and might never be sold out.

In Taiwan, because most publishers are not sensitive to the market response, their decision of the print-run and potential price would be made with the assistance from their distributors. Some distributors will consult the opinions of buyers from major retailers such as chain bookstores, then to evaluate the risk with publishers accordingly to determine the print-run. Comparing to traditional print-run decision which was made mainly by publishers' experience and intuition, the consulting process means that publishers become more prudent and calculated about the market outcomes. In my opinion, there are at least two implications of this process, on one hand, publishers try to be aware of retailers' estimation through the middlemen, it indicates publishers much more depend on the distributors, and rely on the market opinion from the downstream side, publishers have not occupied dominant position in this field; on the other hand, it indicates the interconnection of this circuits of commerce becomes tighter than ever. And this kind of resource dependence is gradually reversing the power relationship within this publishing field.

However, because of demand uncertainty in book market, the potential sales outcome of one book is still unpredictable. So some distributors try to gamble on the print-run. One distributor told me, as a distributor's standpoint, "it is better to print more than less". (可以做多, 絕不做少) He took a script book of a movie for example, "a book with topicality like it, all of the bookstore, distributors and publishers at all want to gamble on it. A gamble like this has only two outcomes, one is to win, the other is large stock. But if you won't gamble on it, you get no opportunity." He also emphasized that, "it is important for us to 'leave the warehouse' (i.e. to send books out of the warehouse), if the volume is reached an extent, it get the opportunity. For publishing house, it is waiting the opportunity, too." (Interviewee D004) This kind of mentality is similar to "not to lose, will win" logic mentioned above, but both of them have constituted the overproduction of books.

### ● **Economic Consequences of Embeddedness**

After reviewing the embedded relationship in Taiwan's publishing circuits of commerce, there are several economic consequences of embeddedness. First is the positive one, the relational embeddedness

between the suppliers and their business partners can reduce transaction cost. The embedded relationship including mutual understanding, personal connection and trust built from long-term transaction ties facilitates communication, saves their time, and avoid quarrels and disputes. And because both parts would like to remain their transaction relationship for long period, there would be little maleficence between them. But second, in the long run, this kind of embeddedness also nourish the organizational inertia (Hannan and Freeman 1984). The distributors conducting their business with their good connections have hardly to understand the products they handled. Many distributors deliver and promote books with their personal connections with booksellers rather than professions. As one analyst pointed out, most of the Taiwan's distributors "only know how to deliver books, rather than selling books." (Su 2007) However, as they don't really understand and evaluate books, they have limited ability to distribute the books appropriately. And this also constitutes to the high book return rate if books are often delivered to wrong bookstores and couldn't reach the right readers.

Third, as publishers have to rely on the distributors' assistance to print-run decision and their feedback about sales information, the power relationship between them has tilted toward distributors. Some publishers said that they have little power to ask their distributors to save some books to independent bookstores, especially bestsellers (Interviewee IB03). And fourth, the gambler's mentality of distributors "better to print more than less" also reinforce and consolidate the overproduction habits of publishers.

Finally, the financial institutions like retention money and "monthly check out and payment" I have discussed above increase the risk for publishers to dissolve contracts with their distributors, so the latter don't have to improve their capability actively. As analyst Su (1999: 303) pointed out, "the biggest difference between monthly payment system and the consignment one is the former is a long-term contract under the premise on sustainable transaction, both sides would suffer if the contract was dissolved." Theoretically, publishers can dissolve their contract with the distributors if they don't satisfy with the service, but considering with the retention money and return policy, it is far more complicated for them to

cancel their cooperation relationship. For publishing houses, they have to prepare a large cash to deal with the books returned from the middle-stream and downstream; even if the process to change the new distributors are smoothly, they have to wait three to six months to receive the payments. Besides that, it might take two weeks or longer that their books would disappear in retail outlets if they are all returned from the old distributors. To evaluate all the costs and difficulties, a small publishing house without much cash won't dare to dissolve the contract with their distributors. As a sales manager of a small publishing house, they had prepared 6 million before they decided to change their distributor (Interviewee S001). For the distributors, they have to pay back the retention money to the publishers when the contracts are dissolved. If they don't have enough cash at hand, they might face cash flow problems to threaten their survival.

## **VIII. Discussion and Conclusion**

As I has emphasized on section III, middlemen such as distributors and booksellers in publishing industry were neglected or under-estimated by previous studies about this industry. In order to take a more comprehensive picture of book industry, I construct the scheme of publishing circuits of commerce borrowed from Zelizer's concept, to integrate the production, distribution and sales circuits in this industry, and to investigate the relationships of the key players and the institutions operated in Taiwan's publishing field. I also explore how the institutions and logics of the field reinforce the overproduction strategies used by the publishers to deal with demand uncertainty.

Based on this analyzing framework, the findings are as follows. First, as I has discussed above, although the logics of field are different from the players occupied on different position, all of them consolidate the overproduction habit of the publishers. It was not a big problem in the "compressed growth" period, but when the reading demand shrank during economic stagnation, the overproduction of books constituted to oversupply in the book market, and increased the book return rate.

Second, the special institutions prevailed in Taiwan's publishing circuits of commerce, such as monthly payment systems, retention money ossified the commercial linkages of production, distribution and sales sectors of the circuits. This kind of financial embeddedness also reinforced the overproduction strategy, and intensified the oversupply and inefficiency of the publishing field.

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