

# TRANSFORMATIONS AND MUTATIONS OF THE CHINESE LANGUAGE PUBLISHING FIELD IN THE DIGITAL AGE<sup>1</sup>

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## บทคัดย่อ

ในแวดวงการพิมพ์ที่ยึดถือเป็นประเพณีสืบมาทั่วโลกมีวิธีปฏิบัติตามระบบเชื่อมโยงแบบลูกโซ่ตายตัวเหมือนกันหมดมาเป็นเวลามากกว่า 500 ปี นับตั้งแต่มีอุตสาหกรรมการพิมพ์เกิดขึ้นในโลก ในปัจจุบัน อุตสาหกรรมการพิมพ์กำลังเปลี่ยนผ่านไปสู่ระบบดิจิทัล แนวโน้มนี้เข้าไปครอบงำไม่เพียงแต่ระบบเท่านั้น แต่ยังครอบคลุมการพิมพ์อย่างทั่วถึง ในยุคดิจิทัล โรงพิมพ์ในโลกตะวันตกยังคงไว้ซึ่งระบบเชื่อมโยงแบบลูกโซ่และยังได้สถาปนาระบบการพิมพ์ดิจิทัลแบบครอบคลุมอีกด้วย อย่างไรก็ตาม ในเขตที่มีชาวจีนอาศัยอยู่เนื่องจากปัจจัยการตลาด และนิสัยของผู้อ่านซึ่งเป็นผู้บริโภคต่างจากคนตะวันตก ระบบการพิมพ์แบบดิจิทัลของตะวันตกยังไม่เป็นที่ยอมรับในหมู่นักพิมพ์มากนัก บทความนี้มุ่งวิเคราะห์ว่าการพิมพ์เป็นภาษาจีนโดยอาศัยข้อมูลการสัมภาษณ์ผู้เชี่ยวชาญ

ด้านการพิมพ์หรือส-สเตรต เพื่อศึกษาความแตกต่างระหว่างโครงสร้างการพิมพ์ในภูมิภาคที่พูดภาษาจีน (โดยเน้นได้หวันกับจีนแผ่นดินใหญ่) ระบบการพิมพ์ในโลกตะวันตก กับระบบโบราณที่มีมาก่อนหลายร้อยปี ผลการวิจัยแสดงให้เห็นว่าได้หวันรับตัวแบบการพิมพ์อิเล็กทรอนิกส์แบบตะวันตกมาใช้ แต่เนื่องจากขนาดของตลาดและนิสัยการอ่านยังต่างจากตะวันตก ตัวแบบการพิมพ์แบบตะวันตกจึงประยุกต์ใช้ไม่ได้ผล ส่วนจีนแผ่นดินใหญ่ได้พัฒนาระบบของตนเองเรียกว่า “วรรณกรรมอินเทอร์เน็ต” ที่สอดคล้องกับนิสัยและความชอบของผู้อ่าน นอกจากนี้ตัวแบบนี้ยังใช้ประโยชน์จากทรัพย์สินทางปัญญาเพื่อเพิ่มมูลค่าของสิ่งตีพิมพ์โดยแปลงวรรณกรรมให้เป็นผลผลิตทางวัฒนธรรม ตัวแบบการพิมพ์นี้ดำเนินการโดยบริษัทอินเทอร์เน็ตมีชื่อ เช่น เท็นเซ็นต์ ไปดูแทนที่จะเป็นสำนักพิมพ์ การกลายพันธุ์ของเนื้อหาที่พิมพ์ดังกล่าวนี้เป็นสิ่งที่ท้าทายระบบการพิมพ์ที่รัฐควบคุมแบบเดิมของจีน และได้กลายเป็นมูลฐานของความสำเร็จที่ยิ่งใหญ่ทางธุรกิจ พัฒนาการของการพิมพ์ดังกล่าวเป็นสิ่งที่ท้าทายคำจำกัดความของ “การตีพิมพ์” เพราะวรรณคดีเคยเป็นสัญลักษณ์ของอารยธรรมระดับสูง ในขณะที่วรรณกรรมอินเทอร์เน็ตถูกมองว่าเป็นเพียงความบันเทิงที่ไร้วัฒนธรรม

## Abstract

*In the traditional publishing arena, the publishing fields around the world all operate according to a fixed value chain*

<sup>1</sup> การแปรรูปและการกลายพันธุ์ของวงการการพิมพ์  
เป็นภาษาจีนในยุคดิจิทัล

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system, which has been in operation ever since the existence of the publishing industry over 500 years. Now the publishing industry is going through a transition period toward digitization, which has overwhelmed not only the entire system but the entire publishing field. In this digital age, publishing houses in the West have carried on with their conventional model of value chains and have established a comprehensive digital publishing system. But in Chinese-speaking regions, due to factors such as market traits, consumer reading habits, publishing policies and consumption habits which are vastly different from those in the West, the Western system of digital publishing is not applicable. This study analyzes the Chinese language publishing field by interviewing Cross-Straits publishing experts—The aim is to examine the differences between the publishing structure of Chinese-speaking regions (specifically mainland China and Taiwan), the typical publishing field in the West, and the traditional paper-based publishing field which has existed for hundreds of years. The result shows that Taiwan follows the Western e-publishing model. However, because of the differences in market size and reading habits, the e-publishing model is not applicable in Taiwan. China, on the other hand, has developed its own system called “Internet Literature” in accordance with readers’ reading preferences and habits. Moreover, this model uses the intellectual property to extend the value of publications by transforming literature texts into other forms of cultural production. This publishing business model is carried out by big Internet

companies such as Tencent, Baidu, rather than by publishers. These mutations of Internet literature content have really challenged the Chinese state-regulated publishing system, and have become the foundations of a successful business model. This development in China has challenged the conventional definition of publishing, as literature has been a symbol of highbrow civilization whereas Internet Literature is more a symbol of uncultured entertainment.

## **Introduction**

For consumers, a cultural product is a type of experiential product that does not serve a concrete function in life making the way consumers treat cultural products is highly unstable and unpredictable (Hesmondhalgh 2007:20). Because of this characteristic, the existence of the cultural industry has become highly risky and void of reason. As part of the cultural industry, the publishing sector experiences the same high risk and void-ness of reason as other cultural products. Only when the value of these products is enhanced to the point when consumers absolutely crave them will the issues of high risk and void-ness of reason be overcome. The value system of the publishing sector operates by generating a symbolic value for a book in the minds of consumers through capital exchange and accumulation among different parties in the publishing field. However, this merely reflects the operations of the traditional publishing sector or the Western publishing industry. In the digital era, the operations and value generation of the publishing industry are getting more complex and diverse and can

vary depends upon region, market traits, consumers' reading habits and consumption habits. This paper seeks to examine the transformations and mutations experienced by the structure system of the publishing fields in Chinese-speaking regions in the digital era by interviewing publishing professionals in Taiwan and China. It also attempts to examine the challenges posed by Chinese Internet literature to the conventional definition and value of publishing.

### **Conventional Publishing Field and System**

The first step to understanding any industry is to examine its value system and industry structure. This certainly applies to the publishing industry, which is part of the experiential cultural industry. In his book *Merchants of Culture*, John Thompson utilizes the concepts of "field" and "capital" as proposed by Pierre Bourdieu (1993:29-112) in order to understand the value system and industry structure of the publishing industry. Thompson (1991:14), in his definition of field, states that "a field is a structured space of positions in which the positions and their interrelations are determined by the distribution of different kinds of resource or 'capital'." According to Thompson, the reason why he uses the term "field" rather than "market" to explore the operations of the publishing industry is that although markets are important, the term field covers a larger spectrum than a market. A field consists of agents, organizations, powers, resources, competitors, collaborators and remuneration of all types and amounts.

The publishing industry is not composed of a single world but multiple worlds (Thompson 2010:4). In other words, it is composed of multiple fields. Every field has its own traits and rules and we cannot discuss them in a lump. In addition, the perspective of "field" helps us to rise above concrete factors such as firms, organizations and markets and focus on the correlation between them since they share a complex web of competition, partnerships and power connections. The concept of field also helps researchers to realize that the power of companies and organizations lies in the resources and capital that are at their disposal. Various agents and organizations of the publishing industry command individual capital in a value system that is similar to a field and they connect and interact in the field to enable commercial creative work and provide more value for the eventual cultural product/service through partnerships or competition. This paper seeks to explore, from the perspective of fields, the relationships between the flows of various kinds of capital commanded by the participants involved in turning original ideas into the cultural product which is a book, to the whole publishing process. This study analyzes the five types of capital that a publishing industry should possess, namely: economic capital, human capital, intellectual capital, social capital and symbolic capital (Thompson 2010:5). The accumulation of social capital arises from the connections developed in social networks. In the publishing field, a publisher's or an editor's taste and the reputation of an author or a publication represent their symbolic capital which can be associated with a brand-name. This

research considers books to be experiential products because their value is determined by the judgment of consumers. Therefore, in addition to the aforementioned five kinds of capital, there is also audience capital.

On the basis of Thompson's theory, Li-Min Lin and Professor Tain-Dow Lee have proposed the concept that the industrial chain is equal to the supply chain and value chain (2015:57-67). In the publishing supply chain, organizations and agents have different roles to play, but they work towards one common goal: contributing their duties and capital to bring value to the eventual product (i.e. the book) and delivering the book into the hands of the end-consumer. The publishing supply chain provides a series of organized links to produce a book and deliver it to end-consumers through publishers and retailers. The reason why the publishing supply chain is equal to the value chain is that the links of the chain including production, marketing and publishing, all target the same cultural product which is the book, and accumulate value for a book.

The publishing field and value system discussed above merely reflects one of the most traditional and typical types. In the paper book era, almost every area operates according to the value system and field model mentioned above. In the digital age, the US digital publishing market has set up a structural system that is much more mature than that of the Chinese-language publishing market. In general, this system still operates according to the aforementioned structural model of the

publishing field and the way US capitalists such as publishing companies and retailers exchange their capital and generate value for their products is not very different from how it was done in the days of paper books. The only difference is that the new display platform for books now is digital. However, in the digital age, the workings of the publishing value chain and supply chain have become more complicated due to the myriad of new media and innovations in digital technologies. Because of these new media and digital technologies, readers' access the contents of book and their reading and consumption habits have become more complex, as well. These complex factors have also led to the different operations of the publishing fields and systems in different areas. The emphasis of this paper is to introduce the differences between the traditional and current structures in the publishing structure in Chinese-speaking regions (China and Taiwan) in the digital era. The discussion focuses on the mainland Chinese market, which is most representative of the Chinese-language publishing markets and possesses a unique structure.

### **Taiwan, a Small and Scattered Market**

In Taiwan, digital publishing is not a cutting-edge topic in publishing circles anymore, but the threat posed by digital publishing to traditional publishing has been discussed for several years. In 2009, He Fei-Peng, the CEO of Taiwan's biggest publishing firm CITE, made this bold forecast: "Paper books and traditional media will only survive for five more years" (2009:18). Yet Taiwan's current

publishing market has proved his statement wrong. Digital publishing is moving at a snail's pace in Taiwan, let alone building the comprehensive system discussed earlier. Taiwan faces several issues in the development of a digital publishing structure. Firstly, with regard to audience capital, Taiwan's consumers exhibit very different consumption needs from Western consumers. Cai Jing-xian, CEO of the Nuazure Innovative Technology Co. Ltd., has said that on average, US consumers have a higher income and thus sufficient financial means to purchase single-purpose e-book readers, but the situation in Taiwan is different. Taiwanese consumers prefer content carriers that offer multiple functions<sup>3</sup>. At first, people thought this was one of the reasons for the lacklustre development of digital publishing in Taiwan, but even after the launch of tablet computers, which offer so many functions, the growth of digital publishing in Taiwan still cannot be compared to the sales of tablet computers.

Mr. Cai has also said:

You have Amazon which is a very powerful retailer in the US. It has sufficient financial resources to improve its bargaining power, acquire various kinds of contents from publishers, and put a lot of this content in its e-books platform. By contrast, the volume of e-book

contents in Taiwan is rather limited because most of the best-sellers in Taiwan's book market are translated books. To obtain authorization from content owners to produce a digital version, a publisher needs to pay an advance royalty fee, so because the e-book market in Taiwan has not expanded in size, and publishers are unable to pay a high royalty fee, the publishers face a double whammy<sup>4</sup>.

As mentioned above, the biggest problem facing Taiwan's digital publishing field is the lack of a strong retail channel. In this respect, the biggest difference between America and Taiwan is that the US has Amazon which commands enormous economic and audience capital. When its economic capital has accumulated to a certain level, it can be used in exchange for other resources. In addition, audience capital is also an important resource of the US Amazon. Major publishers in the US work with Amazon mainly because of the retailer's audience capital and these publishers know that only by joining a top-notch retail platform like Amazon can their contents be introduced to consumers in the easiest way. To Taiwanese publishers, the only way to achieve success was to pattern what they do upon the US and build a digital platform and they have all hopped on the digital

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<sup>3</sup> This is based on the notes of an interview with Cai Jing-xian, CEO of the Nuazure Innovative Technology Co. Ltd., on March 20, 2015. The notes were taken by the author of the article.

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bandwagon. During my interview with Raymond Fu, an important figure in the Taiwanese media, and the current, general manager of Master 60', stated that the market for e-reading platforms in Taiwan is pretty disorderly. As many as 20 to 30 e-reading platforms operate on this small island, so it is difficult for consumers to become familiar with all of them. In addition, do these platforms really function as retailers in the way that Amazon does? Fu went on to say the following:

In Taiwan, translated books dominate the publishing market. In the international copyrights arena, the authorization of digital and paper editions of contents is two different matters. Since Taiwan's market is small in size, it is not cost-effective for publishers to pay a royalty to obtain copyright authorization for digital content and, anyway, to put translated books on their e-reading platforms, the publishers also have to pay for the production costs. However, they may end up selling only 30 to 50 copies of these e-books and so a lot of publishers are unwilling to make the investment. As a result, there are few good reads on Taiwan's e-reading platforms and this is why consumers are reluctant to adopt this new reading pattern<sup>5</sup>.

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<sup>5</sup> This is based on the notes of an interview with Raymond Fu, general manager of Taiwanese media Master 60' on March 19, 2015. The notes were taken by the author of the article.

Obviously, the reality of Taiwan's digital publishing world is that though there are many e-reading platforms, readers cannot find a lot of valuable contents on them. Though digital publishing in Taiwan is an imitation of that in the West in term of form, it fails to address the fundamental issue which is the needs of readers. Most Taiwanese readers prefer translated books, but local publishers are unable to pay for the authorization of e-book contents of foreign books because of limited audience capital in a really small market. Furthermore, even after Taiwanese publishers have invested a lot of money to pay for the authorization, the small market cannot generate the sufficient economic return that these investors deserve. As a result, the e-reading platforms in Taiwan cannot provide the content that consumers need and thus cannot accumulate audience capital and without audience capital, investors cannot get any economic return. Without economic return, investors have no resources to make investments and obtain intellectual capital. This endless vicious circle is plaguing Taiwan's digital publishing market and is the reason why it is still too early to talk about the establishment of a value system in the market.

The above issues are mainly discussed from the perspective of online distribution channels. The Chairman of Taiwan's Human Thesaurus Publishing Group, Gui Tai-hua, has explained his views on physical channels and consumer segments. He said the following:

Taiwan has a lot of e-book distributors but their main clients

are local schools. These schools use their school funding to buy e-books, but these deals are not large in volume and are only a part of the schools' procurement projects. Taiwan's local schools do not generate a large sales volume for e-books and since these schools are numbered in the hundreds at most, an individualized e-book market has not yet been established in Taiwan. Therefore, I doubt that a bubble will develop in the individualized market of e-reading in Taiwan<sup>6</sup>.

Actually, producing an e-book version of a paper book is not difficult since both paper books and e-books are produced with computers. But the problem is, Taiwan does not really have a sound retail network for e-books. Basically, the audience capital of e-books in Taiwan is to be found mainly in local schools and libraries. The audience capital among individual readers is too small and when individual consumption is limited, digital publications do not achieve popularity. The market in Taiwan is small in size already, so, since the e-book market relies only on a few libraries and schools as its main consumers, the market is basically considered insignificant.

In addition to the problem of distribution channels, the ambiguous position of e-

book products in the market has also hindered the development of e-books. Mr. Gui commented further:

In Taiwan, e-book contents are sometimes offered to consumers as free giveaways and this practice has put e-books in an ambiguous position. In the East, people do not have sufficient understanding about the commercialization of e-books and this is why e-books have been slow in development and have a future that is hard to forecast<sup>7</sup>.

Factors such as content, retail channels and consumer segments all show that Taiwan has not developed a mature digital publishing system, but local technology companies, platform operators and publishers still dare not neglect the importance of digital reading, especially in this day and age when smart phones and tablets are so popular. Deputy chief editor Chen Nian-zhu of Taiwan's Wu-Nan Book Inc., has pointed out that every player in the publishing field basically holds the same view. That is, they dare not stay on the sidelines of the market in e-reading on apps and cell phones. The reason is, you have first to enter the market before you can determine its future prospects<sup>8</sup>. Moreover, Mr. Chen has indicated that

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<sup>6</sup> This is based on the notes of an interview with the Chairman of Taiwan's Human Thesaurus Publishing Group Gui Tai-hua on April 9, 2015. The notes were taken by the author of the article.

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<sup>7</sup> This is based on the notes of an interview with the Chairman of Taiwan's Human Thesaurus Publishing Group Gui Tai-hua on April 9, 2015. The notes were taken by the author of the article.

<sup>8</sup> This is based on the notes of an interview with deputy chief editor Chen Nian-zhu at Taiwan's Wu-Nan Book Inc. on March 20, 2015. The notes were taken by the author of the article.

Taiwanese readers have not been used to buying e-books for very long, so the development of the market for e-books in Taiwan is still at an early stage unlike the American e-book publishing market where e-books have occupied 20% to 30% of the market share. Even though the e-publishing market is still small in Taiwan, Wu-Nan Book Inc. will still continue to develop e-publishing. It has developed an IOS app, and is in the process of developing an Android app. Because the e-book market is in the early stages of development in Taiwan, Wu-Nan Book Inc. has not received explicit feedback from readers, but it can be inferred that Taiwanese readers are not used to reading whole books on mobile devices<sup>9</sup>. Mr. Fu has shared a similar view:

Content carriers such as tablets allow publishers more chance to interact with their readers and introduce more reading materials to their readers. So you have to set foot in this arena and make basic investments in stuff such as apps to be noticed by local readers. Though the digital market in Taiwan is not mature, first you still need to get in there to be seen by consumers<sup>10</sup>.

From these interviews, it is easy to see that though the market in digital publishing in Taiwan is in its infancy, there are many technology companies and platform operators eager to develop it. Even a lot of traditional-style publishers have not shied away from transforming themselves into digital publishers. This is because they are all concerned with being marginalized in digital publishing in the future. Even though a lot of uncertainties surround Taiwan's digital publishing market, companies from a variety of sectors are still eager to occupy a place in the digital publishing field. They believe that only by having a presence in the market will they be noticed by consumers and dare not risk being left behind in the trend. As suggested by figure 1, the involvement of these players in digital publishing is merely superficial dabbling. Paper-based publishing remains the mainstream trend in Taiwan.

Taiwan's digital publishing is currently following the example of the US in establishing a publishing field and system, but since Taiwan differs radically from the West in market size, population base, reading preferences and consumption habits, it has not generated the same effects as in the West in spite of following a highly developed pattern.

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<sup>9</sup> This is based on the notes of an interview with deputy chief editor Chen Nian-zhu at Taiwan's Wu Nan Book Inc. on March 20, 2015. The notes were taken by the author of the article.

<sup>10</sup> This is based on the notes of an interview with Raymond Fu, general manager of Taiwanese media Master 60' on March 19, 2015. The notes were taken by the author of the article.



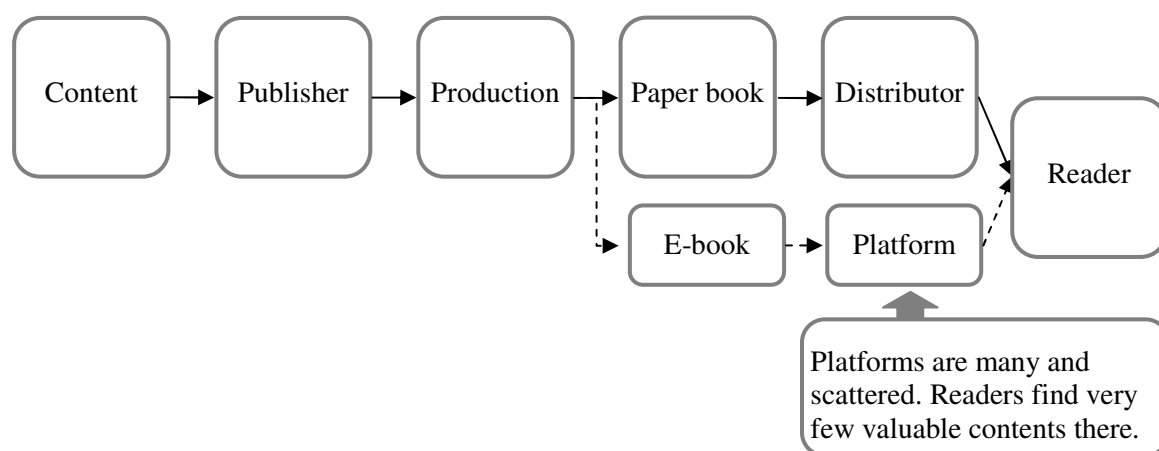


Figure 1: Structure of Taiwan's publishing industry in the digital era

### China: An Example of a Mutated Large Publishing Field

One thing China and the US have in common is a large population base and so China does not have the same problem with market size as Taiwan. However, as it goes through the transition brought about by escalating economic development, the structure of its consumer population and the population's consumption habits are still different from the developed market in the US. In addition, China is a battlefield where capitalists from everywhere are mired in serious competition. By contrast, the publishing realm in the US is more simple and well-rounded. China has a population of 1.3 billion Chinese-speaking people whose reading tastes are different from those in the West and Taiwan, and it has its own unique market operations. It also commands enormous economic potential. This market structure is an important research theme for anyone interested in studying Chinese-

language publishing. Though China is also part of the Chinese-language publishing realm, unlike Taiwan which has reached a dead-end after years of following the established pattern of the West, China has developed its own Chinese-styled mutated industry structure which suits with its own market pattern, consumption habits and reading tastes.

Figure 2 is a preliminary description of the structure of China's digital publishing industry after interviewing seven digital publishing professionals in China.

The contents of Chinese digital publishing are mainly divided into two categories: one is regular e-books published by traditional publishers or copyright companies, and the other is original Internet literature. Even though publishers try to use the Western model to operate e-books, there is a 'problem' of copyright in China. As far as foreign e-books in China are concerned

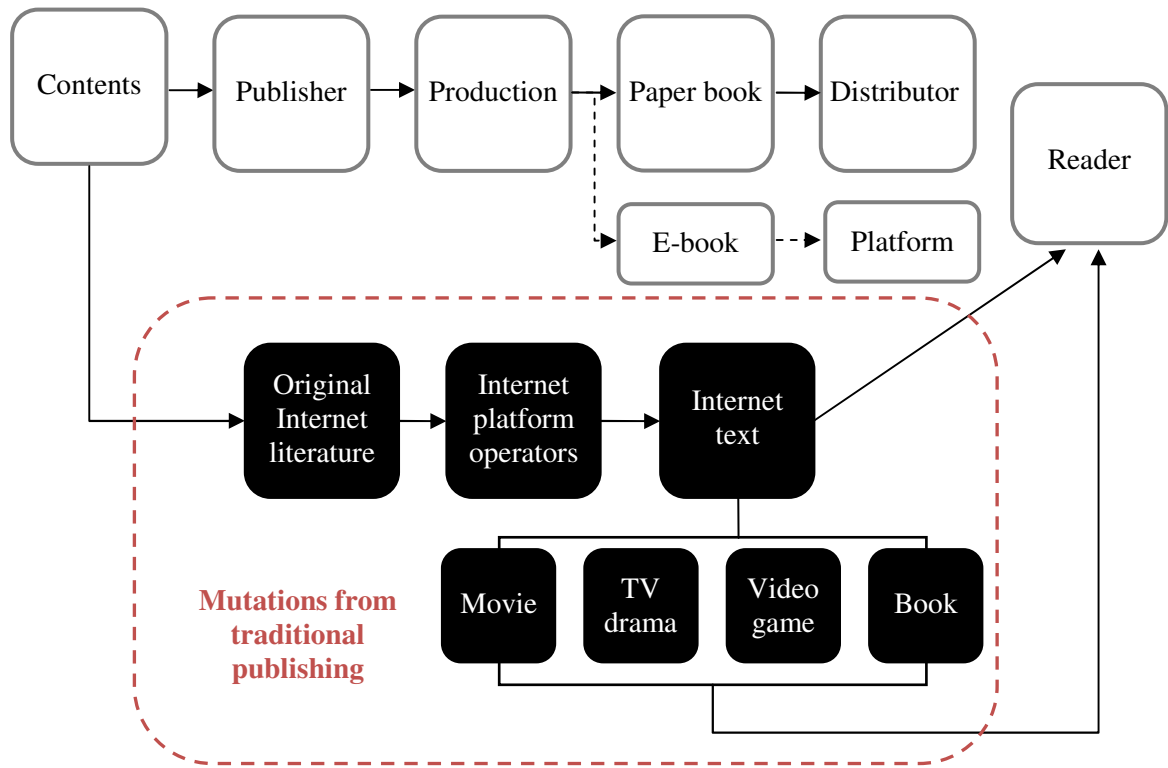


Figure 2: Structure of the Chinese publishing industry in the digital era

for example. Chinese readers cannot easily afford foreign e-books because they are much more expensive than local books. However, some sellers offer illegal PDF versions on Taobao (the biggest online shopping website) that readers can purchase at a much lower price. So, Chinese readers prefer to buy foreign e-books from Taobao rather than from Amazon. This is one of the reasons why international authors and publishers either cannot operate beneficial financial models in China, or do so with great difficulty. Moreover, unlike in America where the price of an e-book is much lower than that of a paper book, in

China local paper books are cheap, so people do not have substantial motivation to purchase e-books. Because of the ‘problem’ of copyright and the consumption habits of people in China, the Chinese publishing industry has not witnessed the establishment of well-developed business models for e-books. Mature business models in China have, however, been developed for original Internet literature. Commenting on China’s Internet literature, Mr. Cen, a high-end product operations manager at Hurray! Holding Co. Ltd., has said that the market for Internet literature is entirely driven by consumer preference. The main themes of

the books are time-travel, Chinese fairies and detective plots which are young people's favorites. The writers are free from the endless limitations faced by writers in traditional publishing and they have adopted a cutting-edge writing style and can produce works in new forms. As for the other category of digital publishing, it has been implemented and reformed by the entire publishing industry in China to move from traditional publishing toward digital publishing. At the initial stage, the priority has been digitizing all the existing publications and displaying traditional books in an electronic format<sup>11</sup>.

The first type, which includes regular e-books published by traditional publishers and copyright companies, is similar to what takes place in Taiwan. It reflects the attempt made by publishing houses to avoid being washed away in the surging digital tide and its production pattern is also an imitation of the system already established in the West. In fact, in the Chinese-language markets, whether we are talking about China or Taiwan, this pattern has not led to a mature development in the form of commercialization. What is special about China, however, is that it has still managed to blaze a trail and create a Chinese-style "mutated" digital publishing system with its Internet literature.

In China, you cannot talk about digital publishing without mentioning Internet literature. The operating model currently in

use in China actually shares a lot of things in common with the model that was used in the early 20<sup>th</sup> century in the West, when daily or weekly editions of a novel would come out in a magazine for months at a time, until the last part of the work was released. The text in those days was often accompanied by advertising and this is frequently the case nowadays as well. Even famous authors such as Charles Dickens had some of their works published this way, and Sci-Fi and Detective fiction were two particular genres in the USA that found this method of publishing particularly attractive. That being said, there are still some characteristics of the industry that are unique to present day China and worth noting. Internet literature in China is operated by some big Internet groups which are not closely related to the publishing industry. Moreover, because of the Internet and technology, the literature text can be spread to people everywhere in a dramatic way and can be turned into different forms of entertainment. This innovation of the Chinese publishing industry is demonstrated in the following figures and interviews.

Xu Kai, the digital marketing director at Media Times, has said that because traditional book publishing is subject to scrutiny by zealous censors in China, only about 10,000 titles emerge on to the market in China every year. Internet literature is watched less carefully and there are more writers online than in traditional publishing. Therefore, over one million titles are published every year and previously, over 70% of the digital content distributed by Chinese cell phone operators was Internet literature. However, the Chinese government issued a series of policies to manage the

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<sup>11</sup> This is based on the notes of an interview with Mr. Cen, high-end product operations manager at Hurray! Holding Co. Ltd. on March 25, 2015. The notes were taken by the author of the article.

quality of Internet literature at the end of 2014 and this reduced the ability of many writers of Internet literature to express themselves freely, so the figure has gone down from 70% to 50%<sup>12</sup>. Chen Nian-Li, the New Media Dept. Director of Wuhan Jie Xing Tech Development Corp., also told me during an interview that Internet literature now generates 60-70% of the revenues of these operators<sup>13</sup>. (Previously, the figure was around 80-90%) All the figures supplies during the interviews give us a rough idea about the share of Internet literature in the Chinese digital publishing market and we cannot deny that this mutation of China's digital publishing, Internet literature, has been built upon a foundation of "disruptive innovation". Disruptive innovation may be discussed from the perspective of dissatisfied customers or non-purchasing customers. It can also be divided into two types: new market disruption and low-end disruption (Christensen, Roth and Anthony 2004:278). At present, the disruptive innovation of Chinese Internet literature is exemplified in two respects. One is the sheer enormity of the amount of readers of Internet Literature which has caused publishing houses to include potential customers as their target readers at the launch of new products. The other aspect is that regarding low-end disruptive innovation, where customers, who do not

demand high-end services and are price-sensitive, have become an integrated customer group. The fact that the readers of Internet Literature are mostly young and have low academic achievements and low income reflects low-end disruptive innovations. During disruptions of new markets and low-end markets, non-mainstream customers and price-sensitive customers are included or attracted, thus blurring the boundary with original markets. Those customers who are young, and have low academic achievements and low income are merely a fraction of the non-mainstream customer base. Though some people do not believe Internet Literature belongs to the publishing industry, the unique operations, innovative disruptions and the special way of copyright management in China are still worth understanding and learning.

The popularity of Internet Literature in China is associated with the form of the government and its policies. In China, publishing a book is anything but easy. Though in most countries, the ISBN number is automatically generated for a book after the book is produced, because of the form of government and government policies in China, a publication cannot be put on in the market unless a book number is obtained. On top of that, because of the tradition of strict censorship in China, official publishing is hard. In an interview, Mr. Xiong, human resources director at CLOUDARY (a subsidiary of China's Shanda Group), China's biggest Internet literature platform, made the following comments when he talked about the production process of online novels at his company:

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<sup>12</sup> This is based on the notes of an interview with Xu Kai, digital marketing director at Media Times on March 20, 2015. The notes were taken by the author of the article.

<sup>13</sup> This is based on the notes of an interview with director of the department of new media business Chen Nian-li at Wuhan Jie Xing Tech Development Corp. on March 22, 2015. The notes were taken by the author of the article.

One characteristic of original Internet literature is its real-time nature. Every day, the updates generated at our official website total approximately 100 million. We have about 1.6 million writers who used to write or are currently writing for us online. You can see, this amount is gigantic. It is different from the way people try to publish a book in the traditional manner. You have first to finish writing the book, then obtain an ISBN number and, finally, get the government's approval before you can publish it<sup>14</sup>.

Since a publication is the product of ideology, the Chinese government imposes strict censorships on any publication. However, the government implements lax censorship on Internet Literature as compared with regular publications and because of this difference, Internet Literature has been able to develop a market of its own which operates more according to the forces of a free market. When speaking about his company's business model, Mr. Xiong added:

CLOUDARY has become a copyright company. In the past, our operation depended on fees paid by our readers and was not a very profitable business. On the surface, many online writers generate more and more income over time. Some

even make ten million dollars or more, but actually very few writers make that kind of money. Probably a dozen do in a year. The reality is that most of our writers make only hundreds of bucks a month or even less. It also means that most of the stories do not generate great revenues. Therefore, what we want to do at CLOUDARY is to expand the value of these literary products by selling adaptation rights to TV dramas or video games. For instance, our novel *Legend of Immortal* was adapted as a video game. In this way, CLOUDARY and video game companies have become partners in business. CLOUDARY can share 20% of the revenues generated by the video games adapted from our novels. With regard to TV dramas, the same principle applies. The movie *Caught in the Web* directed by the Chinese director Kaige Chen and released in 2012 is based upon an online novel entitled *Demise of Life* (temporarily translated) published by the Jin Jiang Literary Site operated by CLOUDARY. The TV drama entitled *Scarlett Heart* which was a hit in Taiwan earlier was also adapted from a novel published on CLOUDARY's literary site<sup>15</sup>.

In a digital era characterized by media integration, partnerships have replaced

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<sup>14</sup> This is based on the notes of an interview with Mr. Xiong, human resources director at CLOUDARY on March 25, 2015. The notes were taken by the author of the article.

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<sup>15</sup> This is based on the notes of an interview with Mr. Xiong, human resources director at CLOUDARY on March 25, 2015. The notes were taken by the author of the article.

competition as an alternative business model in the industry. In recent years, different sectors in the cultural industry have seen blurred boundaries as well. With their own capital and advantages, these sectors have gradually moved towards a cross-sector development through partnerships and have risen above the concept of independent “field” proposed by French social scientist Pierre Bourdieu. They have also stopped using manoeuvre and struggle as the manner of competition.

The business model of CLOUDARY is moving from a single online publishing field and joining hands with other cultural fields by transforming the intellectual capital of Internet Literature in order to expand the value of its online novels. Before an online novel is adapted as a TV drama, it has to accumulate significant audience capital on the Internet. The accumulated audience capital then creates symbolic capital for the online work. This symbolic capital originates from the author, the story itself and the brand-name of CLOUDARY and this accumulated capital lays the foundation for the company to cross over from publishing to TV or movie entertainment. Take the TV series *Scarlett Heart* for example. In addition to the economic capital that CLOUDARY has gained by selling its intellectual capital, the symbolic capital accumulated from the huge popularity of the TV drama adapted from the novel has also benefited the online story and enhanced the value of the original story. The movie *Caught in the Web* has also in turn boosted the sales of the paper-book version of the original novel.

The other form of copyright transformation is when the original Internet Literature is adapted into online games. An advantageous form of capital, which is the audience capital, has existed before any adaptation takes place. With the boom in Internet Literature, the population of its readers is ever expanding. The reader population of Internet Literature is mostly comprised of young people just as the player population of online games and this group of young people is deeply aware of, used to and attached to what is popular online. That is to say, there is a significant overlapping between the readers of Internet Literature and online game players. In the case of the CLOUDARY Group, the company has all the resources in place to cross over to the field of online games. It not only has the intellectual capital generated by its Internet Literature, but also the audience capital due to the rise of Internet Literature as well. Therefore, it does not need to build audience capital all over again when branching into the field of online games. In addition, the audience capital of the two fields shares one thing in common. That is, these audiences are both heavy users of computer networks. Therefore, CLOUDARY has no need to worry about a lack of audience when crossing over into a new industry sector.

Some of the characteristics of the phenomena currently taking place in the digital publishing industry in mainland China and the greater Chinese speaking community have been touched upon in the past by Western media theorists. In the book entitled *Laws of Media*, Marshall McLuhan and Eric McLuhan (1988:116-128) summarized ideas about media by describing what was referred to as a “tetrad of media

affects.” The tetrad can basically be depicted as four diamonds surrounding the name of a medium. The two diamonds on the left of the tetrad represent the Enhancement and Retrieval qualities of the medium, with Enhancement referring to what the medium amplifies or intensifies and Retrieval indicating what the medium recovers which had previously been lost.

So for example, if the medium is a radio, then what is amplified by the radio is news and music via sound and what the radio retrieves and brings back to importance is the spoken word. On the right side of the tetrad are the two diamonds that represent Obsolescence and Reversal. Obsolescence refers to what the medium drives out of prominence, and Reversal explains what the medium does when pushed to its limits. In the case of the radio, print and visual effects became less significant because of radio, and audio-visual TV resulted when the medium was pushed to its limits. Though McLuhan’s views were shaped by phenomena he observed in the West, his theories are relevant now in China since currently there is a growing Chinese middle class that is able to afford ‘extra’ packages of content.

McLuhan’s ideas about the tetrad can be applied to in China with the Internet or an Internet platform in the middle as the medium. What is enhanced by the internet is people’s ability to disseminate content to others worldwide from anywhere and at any time, free of cost because the Internet removes limitations on space. Before the information age, the publishing industry was limited by its need to use organizations as units of the production. Even if an organization were powerful, it was still

limited. However, nowadays we rely on the Internet and its seemingly unlimited potential to gather the consensus of the masses from all over the world, and to propagate material. With the Internet as the medium, Obsolescence could be represented by the way the Internet and technology have been changing the way which people read and obtain reading material. For example, more and more readers are using computers, tablets, and smart phones instead of paper books leading to a reduction in paper and printed material.

Retrieval can be demonstrated by the fact that in China, the Internet companies or Internet platform operators assume the role of publishers in the novel industry. Also, though novels are converted to digital versions for e-readers, they are also becoming more desirable in ‘special’ editions. These editions come in better produced formats and thus are more expensive and viewed as ‘collectables.’ The final aspect of the tetrad, Reversal, can be seen in the extension of the digital format with links to further content. Through selling the copyright of Internet literature, the texts can be turned into other attractive forms of entertainment such as movies, TV dramas, and video games.

Though some people still question if Internet Literature is part of the publishing industry, undeniably, in China, where copyright infringement is rampant, the business model of adapting copyrighted Internet Literature and teaming up with other sectors of the cultural industry is a possibility that the cultural industry should consider. Thanks to Internet Literature, mainland China has developed its own commercial digital

publishing system, a development that is a far cry from what takes place in Taiwan which has been mired in a predicament created by following the pattern of digital publishing in the West.

### **Challenges Posed by a Mutated Form of Digital Publishing**

Manuals and textbooks, which are often quite large, are a substantial part of the book market that benefits from being in a digital format since when they are in digital form they can be ‘searched’ swiftly, distributed easily, and updated regularly at little cost. This phenomenon has already altered the method and form by which people receive new knowledge and education. For learners and readers, textbooks and manuals are no longer the only way to obtain cutting edge information. Instead, the Internet can provide people with more efficient methods through sites such as WIKIPEDIA, Google Scholar, and some E-journals. However, novels are another substantial part of the book market.

Writing novels on the Internet is a mutated form of publishing in China. Though many people do not recognize it as a part of the publishing industry, the traits and functions of Internet Literature actually overlap with those of any publication product. They all provide reading content, but one difference is that online novels rely on the Internet, computers and cell phones as their display platforms. Since Internet Literature is still somewhat different from traditional publications, it poses challenges to the structure of the publishing field and the definition of publications.

For ages, publication has been a pretty scary business. A book is a creation of an author who spends on it years of sweat and tears. It is also indebted to the meticulous editing and compiling of editors. But nowadays, Internet Literature has broken the mould. Mr. Xiong has stated that:

The uniqueness of Internet Literature is that writers can publish their work online right after they complete their first chapter. Readers can access the latest contents produced by the author every day. We have a specialized term for it in China, which is “Zhui Geng” (literally meaning “catching up with the updates”). Writing a novel from cover to cover may take one to two years or even longer. Readers follow the contents of the novel daily and not until they reach the end of the novel has the writing of the book been completed, but during the writing process, readers have already been reading the novel and paying for the access. This is different from traditional novels<sup>16</sup>.

The storyline of a novel is developed by the author after much deliberation and careful logical development, but the storyline of Internet Literature is determined to a great extent, by the preferences of readers. About the storyline of Internet Literature, Mr. Xiong has pointed out:

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<sup>16</sup> This is based on the notes of an interview with Mr. Xiong, human resources director at CLOUDARY on March 25, 2015. The notes were taken by the author of the article.



A writer of Internet Literature can spin a yarn in any way he likes. As long as someone keeps reading his story, and is willing to pay for it, the writer has the incentive to keep writing. It is also possible that if a writer feels he cannot continue with the story, he can give up and plot development can be influenced by reader feedback. It is as when we watch a TV drama series, and we don't like it when the leading character dies. We hope there is more development to this character. When a lot of readers express their opinions about characters at the bottom of the story web page, it may have an impact on the writer's decisions. It is not the same as when the author writes a novel from cover to cover. After he finishes it, you can only read it and have no say about the author's plot development<sup>17</sup>.

Just as the way an online literary story is composed has challenged the writing status of traditional novelists and the conventional manner of novel composition, Internet Literature has challenged the traditional way a novel is published. It is difficult to find a literary classic from among the novels produced online. According to research done by Shui Lin (2006:32-38), Internet literature is like a 'McDonald's Culture', in that it is a kind of 'fast fashion.' Everyone can post his or her work on-line, even if it is not suitable

for publication, and has not been seriously revised and edited. These kinds of publications will weaken the depth of literature. *China Internet Literature Industry Annual Report 2013* also indicated that Internet literature is carried by website companies, and adopts a C2C model, in which authors connect with readers directly. In this way, authors try to attract readers, and prefer to write on popular topics, which make Internet literature become more homogenized. High and low quality literature are thus mixed together online (EnfoDesk 2013:30-32). In Internet literature, there is generally less emphasis on textual modification and more on what is popular, fast, and fashionable. The structure is simple, coming in the form of short, direct expressions with humorous images. The language and logic have a strong impact, and challenge what was previously popular (Zheng 2007:52). These claims can be supported by Quantitative data which has been released by the biggest Internet literature website, CLOUDARY. The data indicates that there were 2.5 million authors and 2.7 million works of literature on the website up to March 31, 2014 (Qiu, 2014)<sup>18</sup>. From the data, we can infer that it is relatively easy to be an author of online Internet Literature.

In the past, the birth of a classic novel required lengthy deliberation, research and revisions by various parties. However, the emphasis of Internet Literature is providing speedy, voluminous and highly sensational

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<sup>17</sup> This is based on the notes of an interview with Mr. Xiong, human resources director at CLOUDARY on March 25, 2015. The notes were taken by the author of the article.

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<sup>18</sup> Mr. Qiu is CEO of CLOUDARY. The data was released at The 5<sup>th</sup> China International Copyright Expo.

shallow reading experiences. Works produced through this model challenge the position of a publication. Internet Literature is more like part of Big Data (Cukier and Mayer-Schonberger 2013:3) than a kind of publication. The contents of Internet Literature are digital texts in the sea of Internet which may appear at one time and then be forgotten forever. They are very different from time-tested canons such as *Dream of the Red Chamber* and that explains why it is hard to find literary classics from among Internet Literature.

In addition to challenging the conventional production process of the publishing industry, Internet Literature also affects the characteristics of the end-reader and has a bearing on how readers view a publication. In the past, publication was a sacred business. Literature has been a symbol of knowledge and civilization and in the social context, readers have been considered to be intellectuals, but the digital age has led to the birth of Internet Literature. Not only has the Internet transformed the structure of the publishing industry but it has altered the status of reading materials among readers or even the readers themselves. In mainland China, the most popular digital content comes in the form of Internet literature and its readers are characterized as young, uncultured and vulgar (Hou 2013:104-108). According to *China Internet Literature Industry Annual Report 2013* produced by EnfoDesk, almost 50% of the readers of Internet literature are below the age of 25 (9.9% are under 18, and 39% are between the ages of 18-25). Moreover, 25.8% of Internet literature readers are workers, waiters, and clerks, and 22.6% are students. Regarding readers' educational levels,

12.9% of the readers are in junior high school, and 37.6% are either in senior high, or at a vocational school. 16.7% of Internet literature readers earn less than 1500 RMB per month, 25.2% of them have income between 1501 and 2500 RMB per month, and 25.2% of them make between 2501 and 3500 RMB per month<sup>19</sup>. In other words, more than half of Internet literature readers have an educational level of below senior high. Additionally, almost 80% of Internet literature readers earn less than 3500 RMB per month (2013:14-17).

These figures not only support Hou's point of view but also explain why literary publications have become transformed from highbrow knowledge-oriented products to low-end entertainment goods and why the average reader of Internet literature is no longer considered to be an intellectual but rather a seeker of low-end entertainment in the digital age. In addition, though books used to be a product for the mind, since Internet Literature is no longer presented in the form of a book, but through cell phones, computers and tablets, reading has been reduced to the level of video games as a form of entertainment.

Although Internet Literature has created a business model unique to Chinese digital publishing, to the traditional publishing industry which has been providing contents to read for about 500 years, it has posed a significant challenge in terms of the definition and spirit of publishing. Providers

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<sup>19</sup> EnfoDesk. 2013. *China Internet literature industry annual report 2013*: 14-17. Retrieved from <http://www.enfodesk.com/SMinisite/newinfo/meetingdown-id-120.html>

of literary content are no longer publishing houses but online platform operators.

## Conclusion

In the days of paper books, standards on supply chains and field operations were observed in order to produce publications and create value for them all over the world. In the digital era, publishing has become a lot more complex due to factors such as reading platforms, reading habits and reading consumption. The standardized publishing procedures in traditional publishing are no longer suitable to different kinds of digital publishing fields. China and Taiwan are the two biggest markets of Chinese-language publications. Digital publishing in Taiwan is a field that is small and scattered and to avoid being marginalized in the new publishing field, capitalists from every sector have spared no effort in developing the market but even though the players have followed the developed form of digital publishing in the West, since they have failed to grasp the basic reading needs of local readers, and are subject to all sorts of limitations related to the small market size, they have not reaped the same economic rewards as their Western counterparts. Though China is just as representative of Chinese-language publishing like Taiwan, unlike Taiwan which has followed the Western pattern, China has developed a brand-new digital publishing pattern which is Internet Literature based on the characteristics of its own market structure. Maybe this pattern is not recognized as part of the publishing industry but the establishment of its innovative structure has challenged the traditional position and significance held by

the publishing industry in the minds of people for over 500 years. From the standpoint of producing Internet Literature, the norms have been broken regarding the text accuracy which is often required in traditional publishing. A stronger emphasis is now placed on quantity. The form of presentation of Internet Literature is also radically different from works produced through conventional publishing and online works do not need to go through careful revision before they can be published. The biggest difference between Internet Literature and works published in the traditional manner is the definition of reading literature. In the past, reading was a symbol of highbrow civilization whereas Internet Literature is more a symbol of uncultured entertainment. Though the value and significance of Internet Literature is still controversial, the astonishing achievements and commercial model it has created are still undeniable.

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