



Hong Kong: Books & Periodicals

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Summary

In 2006, the Hong Kong books and periodicals market was worth almost USD1billion. Imports were largely from China (86%), the U.S. (3.5%), the U.K., Taiwan, Singapore and Japan, in order of market share. International firms publish international and regional newspapers, periodicals, English textbooks and children's drawings and coloring books in Hong Kong while the Hong Kong publishers supply Chinese and English textbooks, mass-market books, periodicals, special-interest books and newspapers. As Chinese is Hong Kong's principal language, Chinese books and periodicals continue to dominate the market.

Imports of books and periodicals should continue to increase in the next two years, fuelled by increasing demand for cheaper Chinese books from China. Increased demand for English books from libraries and the general public will also expand imports. Government efforts to increase library collections in schools present opportunities for U.S. book suppliers to increase their exports to Hong Kong. Sales prospects for children's drawings and coloring books, travel guides, leisure magazines, "pop" economics, and English language instructional books remain bright

The book and periodical retailing and distribution market in Hong Kong is very competitive. Parallel imports, especially of U.S. periodicals, hamper the competitive situation. Most end-users still buy their books at bookstores. Although website-awareness is increasing, the volume of books purchased through the Internet is still small. In the face of impending competition from Internet book sales, however, local book retailers are keeping retail prices of imported books and periodicals low, thereby enhancing the competitiveness of U.S. books against local publications.

Market Demand

Retained imports comprised mostly English mass-market and special-interest books, textbooks, children's drawing and coloring books, English dictionaries and encyclopedias and periodicals from the U.S. and the U.K., Japanese comics, periodicals, art /design books and Chinese mass market and special interest books from China and Taiwan.

International publishers produce regional newspapers and periodicals, special interest and reference books for both the local and international markets and English textbooks for local schools and universities. Hong Kong publishers supply both English and Chinese textbooks, newspapers, magazines, periodicals, mass market books, children's drawings and coloring books and special interest books.

The local publishing industry has about 500 firms comprising a few large (and many small) publishers of Chinese books (most of whom also double as book retailers) and about 130 international firms who publish English books. Local publishers sell their publications to local bookshops, libraries and overseas customers.

Chinese books dominate the market, as Chinese (mostly Cantonese dialect) is the mother tongue of majority of the population. English is the dominant foreign language among the working population, especially those in the financial/banking sector and other service industries.

Hong Kong's official languages are Chinese and English. Government reports and publications are available in both languages. Since reverting to Chinese rule in 1997, however, English has become less popular as a medium of communication among the local Chinese in Hong Kong. This is partly the result of the Hong Kong government's on-going policy of supporting the use of the mother-tongue teaching in schools (started in the 1980s) and the government's commitment to promoting the wider use of Chinese in official business. Cantonese is the medium of instruction in all government primary schools with English taught as a core subject. Beginning in 1998, however, the government also introduced mother-tongue teaching (in Cantonese) in junior secondary schools (Secondary 1 to 3) except for the teaching of English language. Currently, only a handful of primary and secondary schools teach in English. Parents of children attending these local schools with mother-tongue teaching are increasingly seeking good English language books to improve their level of written and spoken English. This presents opportunities for selling more English language books and publications in Hong Kong.

During the past five years, the number of predominantly English book retailers in Hong Kong has increased while the population of English readers has decreased. This has resulted in a very competitive book and periodical retailing and distribution market. Parallel imports of magazines, especially those from the U.S., has exacerbated the competitive situation. Industry sources estimate that parallel imports comprise 50-60% of magazines sold in Hong Kong.

To satisfy their reading habits, Hong Kong residents either borrow books and periodicals from public libraries, buy from bookshops or from the Internet. 3.3 million or 47% of Hong Kong's population are registered borrowers of public library books. Loans from public libraries decreased 2% between 2005 and 2006. There are 76 (66 static and 10 mobile) public libraries in Hong Kong with a total stock of 10.22 million books. 3 new libraries were opened in 2005 including The Education Resource Center, a specialized reference library on education. With an initial collection of 13 000 books, journals, electronic items and online databases, the center aims to provide information on education, language learning, and reference services for education professionals, researchers, and the general public pursuing continuing studies in education and related subjects.

Many American bestsellers are translated into Chinese for the Hong Kong market but little of this translation occurs in Hong Kong. Most companies have the Chinese translations done in Taiwan where the traditional Chinese script is used and is hence also suitable for Hong Kong Chinese readers. In China, the simplified Chinese script is used for written Chinese works.

Hong Kong's evolution from a manufacturing economy to a service economy, has exhausted the human resource supply of graduates with advanced English language communication skills. In its efforts to rectify the shortage, the Hong Kong government will be increasing the number of university places and will encourage more international education institutions to offer local extensions of their programs. This, in turn, could present more opportunities for U.S. book publishers, especially those publishing textbooks and course materials.

Market Data

Statistical Data (USD million)

	Last year (2006)	Current year (2007) E	Growth (2007) E	Next year (2008) E	Growth (2008) E
Import market	836	961	15%	1,105	15%
Local production	1,519	1,671	10%	1,805	8%
Exports	1,348	1,456	8%	1,543	6%
Total Market	1,007	1,176	17%	1,367	16%
Imports from U.S.	29	32	12%	36	13%
Exchange Rates	7.8	7.8	-	7.8	-

Last year's import market share (percent for U.S. and major competitors):
U.S.: 3.5%; China:85.6%; U.K.:3%; Taiwan:2.2 %; Singapore1.9%; Japan:1.7 %

E: Estimates from industry sources

Sources: Hong Kong Trade Statistics, Census & Statistics Department
Industry sources

Best Prospects

Imported books and periodicals with best sales potential for foreign suppliers in Hong Kong are:

- News magazines (e.g. Economist, Newsweek, Business Week)
- Children's picture, drawing or coloring books
- Travel guide books
- Non-fiction books, such as books on self-help, health, new age practices, personal finance and investments, "pop" economics (e.g. Freakonomics) sports activities, IT-related
- Periodicals for leisure reading relating to fashion, interior design, automobiles, sports, music and general interest weekly journals featuring entertainment, film stars and singers, eating out and gossip columns.
- Japanese comics (manga)
- Educational instructional books for primary and secondary schools in
- CD-ROM particularly on the learning of English language
- Art and culture books

Key Suppliers

Domestic Suppliers

The local publishing industry contains more than 500 firms, 130 of which are resident international publishers.

The freedom of expression and an open press are important factors attracting the concentration of prestigious international publishers in Hong Kong. The publishing industry also benefits from a highly-developed printing industry and Hong Kong's excellent communications network. The availability of satellite and internet communications, for instance, enables these international publishers to transmit texts and high-quality images to Hong Kong for their Asian editions. International publishers also choose Hong Kong as their Asia regional headquarters to generate their main source of revenue: Hong Kong is the advertising capital of Asia with one of the world's highest per capita expenditure on advertisements. The introduction of more advanced printing

technology has also allowed smaller print runs of 1,000 copies to be cost efficient.

The range of locally published products comprises newspapers, magazines and periodicals, books (these include mass market books as well as novels, textbooks, reference books and special-interest books by both local and international publishers,) and non-book publications (electronic publishing such as multimedia CD-ROMs and on-line publishing) Among the books published locally are many on topics such as investment, financing, commercial management, personal health, current social and political affairs. This indicates a change in local readers' tastes as the books published locally ten years ago were mostly fictional novels. The introduction of cost-efficient printing technology has also made it possible to publish books with a smaller readership. In the past, publishing a book with a print run of 2,000 to 3,000 copies is necessary to be cost effective but now with the new printing technology, a print run of 1,000 copies is sufficient.

Newspapers, magazines and periodicals:

International and local publishers produce 49 newspapers and 722 registered periodicals (including a number of electronic newspapers) in Hong Kong. Of the newspapers, 23 are in Chinese, 13 in English, 8 bilingual and 5 are in Japanese. Newspapers printing and publishing alone accounts for 40% of Hong Kong's total publishing industry output.

A large number of international publishers such as Asiaweek, Far East Economic Review and Readers' Digest use Hong Kong as a printing base and center to solicit worldwide advertising sales and subscriptions for their publications. The Asian Wall Street Journal, Financial Times, the Economist, the International Herald Tribune, USA Today and Nihon Keizai Shimbun print here.

Some specialist publishers produce trade publications in Hong Kong either for local or international circulation. Many of these specialist publishers are trade show organizers.

Books:

In 2005, Hong Kong printed, produced or published 14,603 books and 14,163 periodicals. The Books Registration Office publishes an annual "Catalogue of Books Printed in Hong Kong." International book publishers operating in Hong Kong include Oxford University Press, Macmillan, Readers' Digest, and Longman. These companies manage the production, marketing and distribution for the Hong Kong book market and export to their overseas sister companies. Large local publishers of books and periodicals include Sino-United Publishing, The Commercial Press, Joint Publishing, Chung Hwa Book Company, Paramount Publishing and South China Media.

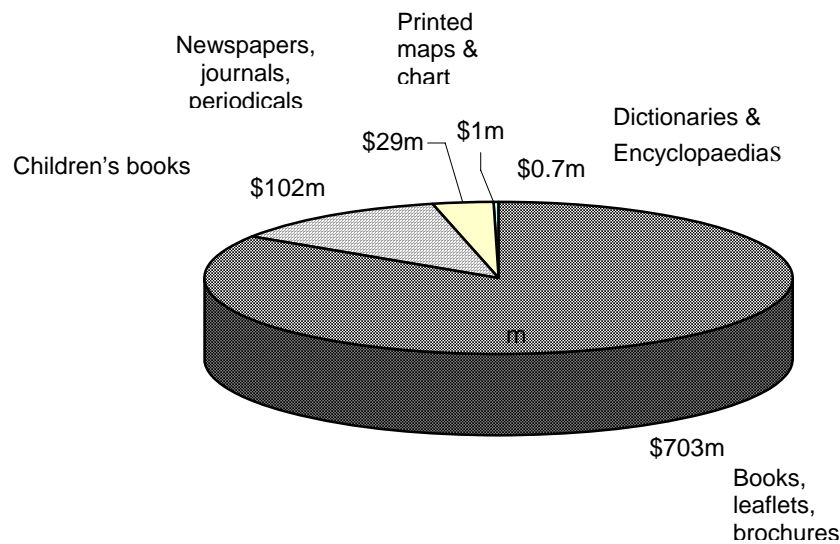
For textbooks, locally-published ones dominate. Pearson Education North Asia (the merger of Addison Wesley Longman and Simon & Schuster Education Business), Oxford University Press and Federal Publications are the major English textbook publishers.

Non-book publications:

Many Hong Kong publishers also release their titles in CD-Rom. Multimedia CD-Rom titles are mostly from the reference and education categories. An increasing number of magazines, regional newspapers and wire services are going on-line. Currently, 3 Chinese newspapers, and 4 bilingual newspapers and many magazines have Internet editions that provide part or their entire printed edition content.

Imports

Hong Kong's imports of books and periodicals totalled USD836 million in 2006. This sector has grown by 14% and 16% in 2005 and 2006, respectively. Industry sources expect continued growth in imports of books and periodicals in the next two years, fuelled by cheap imports of Chinese books from China. Increased demand for imported books will also come from the general public who want to upgrade their English communication skills (to enable them to use the Internet effectively) or learn new skills to fit into the demands of the service economy.



Third-Country Suppliers

China, Hong Kong's largest supplier, accounted for 86% or USD716 million of Hong Kong's imports of books and periodicals in 2006. The U.K and Taiwan supplied 3% and 2.2%, of Hong Kong's book imports in 2006 amounting to USD25 million and USD19 million, respectively. Other suppliers in 2006 were Singapore (USD16 million) and Japan (USD14million.)

Book imports from China have grown 20%. As more printing firms move their operations to China to take advantage of cheaper costs, book imports from China are likely to remain strong in the next few years.

Book imports from Singapore fell by 11.6% in 2006. The Times Publishing Group of Singapore publishes several trade journals and has offices here. Singapore is also the regional Asian headquarters of publishers like John Wiley & Sons and McGraw-Hill that export their publications to Hong Kong from Singapore. Book imports from the U.K. also decreased 12% in 2006. Increasing competition from cheaper sources of supply, especially from China and the U.S., has dented the U.K. and Singapore market shares.

U.S. Market Position

Imported U.S. books and periodicals reached USD29 million in 2006, accounting for 3.5% of Hong Kong's books and periodicals imports. The U.S. is Hong Kong's second largest source of imported books after China and is also Hong Kong's largest supplier of imported English books and periodicals. Items from the U.S. in 2006 consisted of books (USD24 million) and periodicals with less than 4 issues in a week (USD3 million.)

Book imports from the U.S grew 13% in 2006 over those in 2005. Larger book print runs in the U.S. allowed American publishers to offer bigger discounts to Hong Kong importers, thereby giving U.S. publishers a competitive edge over the U.K. book publishers. The U.S. has surpassed U.K. as Hong

Kong's second-largest supplier of imported English books for several years. The appreciation of the pound against the Hong Kong dollar (pegged to the U.S. dollar since 1983) has made the prices of books imported from the U.K. uncompetitive to books imported from the U.S. U.S. gains in 2006 included dictionaries and encyclopedias (+80%), children's pictures drawings and coloring books (+15%).

Lecturers in Hong Kong universities generally prefer U.S.-published textbooks and reference books as many of them studied in America. For primary and secondary textbooks, however, U.K. publishers still maintain a stronghold due to a preference for British spelling.

In the magazines sector, China supplied 23% (USD7 million) in 2006. Japan was the second largest source with 17% (USD5 million) comprising mostly of manga (Japanese comics) and fashion magazines. Competition from parallel importers of U.S. magazines is prevalent: one book retailer lamented that in some cases, the cost of air freight to ship their magazines from the U.S. is higher than the retail price at which the parallel importers are selling their publications. Popular leisure magazines in Hong Kong include U.S.-published *Cosmopolitan*, *Glamour*, *In Style*.

Growth in book and periodical imports from the U.S. over the next two years should continue. The increase will come from textbooks for institutions of higher learning, children's books, dictionaries, education instruction books for primary and secondary schools in CD-Rom, leisure magazines and periodicals, mass market and special interest books.

U.S publishers with offices in Hong Kong are McGraw-Hill, Newsweek, Readers' Digest, Time Inc., Time Life, Forbes Magazine, USA Today, International Herald Tribune, Newsweek, Dow Jones Publishing and John Wiley & Sons. Hearst Magazines has a joint venture with the South China Morning Post to publish Chinese versions of *Cosmopolitan* and Harper's *Bazaar*. HarperCollins, Thomson Learning, Penguin Putnam, Simon & Schuster and Random House are other American suppliers to the Hong Kong market.

American book retailers shy away from opening shops in Hong Kong. One large U.S. book retailer feared that book sales in Hong Kong would not be large enough to sustain the relatively high retail rents here (Hong Kong has the world's third highest retail rents after New York and Japan) given the relatively low interest in reading among the local population. Also, with the majority of readers

in Hong Kong not using English as their first language, sales of English books will not be able to compete with those of Chinese books. This book retailer chose Singapore and Australia to open their stores.

Prospective Buyers

There are two distinct groups of readers in Hong Kong: the Chinese language readers and English language readers. English readers include about 500,000 English-speaking foreign residents (about 180,000 are Filipino domestic helpers) and the local Chinese educated in western countries. The expatriates (60,000 Americans, 22,300 British, 33,400 Canadians and 21,800 Australians) tend to be the largest purchasers of English books on the Internet, with Amazon.com being the most popular.

The Yes Asia website: www.yesasia.com publishes the "Top 20 Hong Kong Books." There are only two English books in this list for the month of July 2007: No. 1: Harry Potter 7 Harry Potter and the Deathly Hallows (adult version) by J.K. Rowling and No.4: Harry Potter 7 Harry Potter and the Deathly Hallows by J. K. Rowling. The rest of the 20 are Chinese novels.

Chinese readers sometimes purchase English books, mostly textbooks, reference books, art /design books and Chinese translations of popular novels and management /business and English language grammar books.

The Education Bureau's Textbook Committee publishes a Recommended (but not compulsory) List for kindergarten, primary and secondary schools. Various Reviewing Panels of the Bureau's Textbook Committee examine textbooks/learning materials submitted by publishers before recommending them for use in schools. The Panels will vet the coverage, content, sequence, exercises, language, illustration and format of the textbooks/learning materials. The Recommended Lists are available on the Bureau's web at <http://www.edb.gov.hk/index.aspx?nodeID=2838&langno=1> and updated monthly. Longman, Times Publishing (Singapore), Macmillan, Oxford University Press, Ling Kee (Hong Kong), Aristo Education Press (Hong Kong), Manhattan Press (Hong Kong), Cambridge Publishers and Witman Publication are the major producers of the textbooks on The Recommended Lists. Most schools have no particular preference between textbooks published by American companies or British/ Canadian/ Australian companies. There is a demand

in schools for textbooks and instructional materials in CD-Rom as classroom teaching is increasingly conducted with students doing exercises on the computer.

When purchasing books, the general public is not concerned with a book's country of origin. Rather, content, author and the popularity of the book are the major factors affecting their decisions. Average spending of the Hong Kong consumers at bookshops varies from USD15 to USD40, depending on the locality of the bookshops.

Libraries

The Leisure and Cultural Services Department operates 74 public libraries that purchase 99% of books and periodicals through a public tendering system. Overseas book jobbers in the U.S., Canada and the U.K. supply almost all the English books and periodicals in public libraries. These overseas book and periodical jobbers who respond successfully to the tenders supply the libraries on two-year contracts.

University libraries acquire English books and periodicals through overseas book agents in the U.S. and U.K. School libraries usually purchase books from local book distributors. To encourage good reading habits among primary school pupils, the government is providing, besides class libraries, a central library in each primary school. This should drive demand for books and books in CD-ROMs at these government schools.

The U.S. will continue to be an important source of English books and periodicals for libraries in Hong Kong, owing to the large variety available and competitive prices

Market Entry

Books and periodicals are sold through three main channels in Hong Kong: book stores, postal orders and subscriptions and the internet. Bookstores remain the largest channel, accounting for more than 75% of book sales in Hong Kong. Sales of book and periodicals through postal orders and direct subscriptions is the second-largest channel followed by sales through the Internet.

Many of the book retailers in Hong Kong, particularly those that specialize in Chinese books, are also publishers. Major retail outlets for English language books and periodicals in Hong Kong are; Bookazine (5 outlets), Page One (4 outlets), Dymocks (11 outlets), Swindon Group (Kelly & Walsh - 2 outlets; Hong Kong Book Center – 2 outlets; and Swindon – 1 outlet), WH Smith (5 outlets at the Hong Kong International Airport), Cosmos (1 outlet) and Jumbo Grade (9 outlets). New book retailers include those from China, such as Xinhua Book City from Guangdong province and Cite Bookstore from Taiwan thereby increasing the range of books available to local readers. Specialty bookstores include The New Age Shop, Academic & Professional Book Shop and The Professional Book Shop. The two largest Chinese book retailers, Joint Publishing (8 outlets) and The Commercial Press (13 outlets) do stock a small percentage of English-language books. Music stores like HMV are also popular retail outlets for fashion and leisure periodicals and magazines, owing to their relatively lower retail prices. These music stores ship magazines directly from the overseas publisher, bypassing the local distributor and are able to retail similar magazines at lower prices than book stores and magazine stands. Popular magazines, periodicals, fiction novels and comics are also sold through 7-eleven convenience stores, supermarkets, new stands and small, mom-and-pop stores.

Bookstores purchase their collections through local offices of international publishers or buy direct from overseas publishers. Book retailers also attend overseas book fairs to meet their existing suppliers or to source new suppliers. The most popular book fair among Hong Kong book retailers is the annual Frankfurt Book Fair. Other popular book fairs are BookExpo America, the Book Fair in London and Beijing.

Publishers distribute books and periodicals to book retailers on a sale-or-return basis. Unsold books are returned to the publisher. However, some books are sold on a firm sale basis, in which case, the publisher will offer greater discounts than books sold on a sale-or-return basis. Some book retailers are also distributors and would sell to other bookstores and to book importers overseas, particularly those located in

Southeast Asia.

Sales of books through the Internet is not as popular in Hong Kong as it is in the United States but has been increasing steadily. A worldwide Online Consumer Opinion Survey carried out by

ACNielsen in late 2005 revealed that less than two-thirds of the internet users in Hong Kong have ever made purchases from a web site. Among those who made purchases on the Internet, 35% of them bought books compared with 23% for event tickets, and 19% for tours/hotel reservations.

Book retailers do not consider the Internet a major source of competition. Online book websites actually help local book retailers sell their books by providing their customers with more information than they would be able to supply. Some local book retailers with their own websites include www.Paddyfield.com, www.CP1897.com, www.swindonbooks.com, www.asia2000.com.hk, www.chunghwabook.com.hk, www.apbookshop.com, <http://jointpublishing.com>, www.Enews-Asia.com and www.hkupress.org.

Overseas books arrive in Hong Kong by sea freight while magazines and periodicals arrive by air. There are no retail pricing regulations on books and periodicals and there are no requirements for book retailers to sell at the recommended retail price printed on imported books.

Keen competition exists in retailing books in Hong Kong's open market. Several versions of a book are usually available in Hong Kong, sometimes resulting in the same book retailing at different prices in the same bookstore. An example is Harry Potter: the translated work published in China is available in Hong Kong at a much lower retail price than the Taiwan translated publication.

Advertising and Promotion

A popular avenue of advertisement for new titles of books is the local newspapers and websites. The leading English-language and Chinese daily newspapers publish weekly "Book" sections featuring book reviews and bestseller lists. According to a local Chinese book publisher and retailer, these book reviews are important for boosting book sales. Joint Publishing, a local publisher and book retailer of mostly Chinese books, publishes a local bestseller list classified by location of publication: China, Taiwan and Hong Kong, and an English publications bestseller list (NY Times') on their own website, www.cp1897.com.

Book retailers in Hong Kong are reluctant to advertise the arrival of new titles, as they do not have exclusive distribution rights. Publishers also do not advertise frequently to promote their works. Some book retailers organize launch events with the author available at the shops for autographs to promote the arrival of new books. Publishers and periodical importers sometimes direct mail residences or place inserts in newspapers to promote subscriptions. Some book retailers and publishers also exhibit at the annual Hong Kong Book Fair, a Hong Kong Trade Development Council exhibition, open to the public. 80% of the exhibitors at the Hong Kong Book Fair promote Chinese books.

Market Issues & Obstacles

There are no tariffs on imported books and periodicals. The Copyright Ordinance in Hong Kong includes provision for protection of literary works and typographical arrangements of published editions irrespective of the domicile of the owners. There is no requirement to register copyright in Hong Kong and there are no formalities required to obtain copyright protection for literary works. Works of authors from any place in the world, or works first published anywhere in the world, also qualify for copyright protection in Hong Kong. Foreign currency prices are permitted to appear on the book and magazine covers. All retail transactions, are however, in Hong Kong dollars.

Trade Events

Hong Kong Book Fair
Hong Kong Convention and Exhibition Center
July 23-29, 2008
Website: <http://hkbookfair.tdctrade.com>

Resources & Contacts

Hong Kong Publishers & Distributors Association
Room 702, 7th Floor, Treasure Center
42 Hung To Road, Kwun Tong, Kowloon, Hong Kong
Tel: (852) 2367-4412 Fax: (852) 2367-4412

Hong Kong Publishing Federation Limited
Room 904 SUP Tower
75-83 King's Road
North Point, Hong Kong
Tel: (852) 2578-6000 Fax: (852) 2578-6838

Hong Kong Book & Magazine Trade Association
13th Floor, Greatmany Center
109-115 Queen's Road East
Wanchai, Hong Kong
Tel: (852) 2528-3671 Fax: (852) 2865-2609

Hong Kong Educational Publishers Association
14th Floor, Tsuen Wan Industrial Center
220-248 Texaco Road
Tsuen Wan, Hong Kong
Tel: (852) 2942-9223 Fax: (852) 2408-8510

For More Information

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