



LIVRES CANADA BOOKS®

Selling Canadian Books in Korea

A Guide for Canadian Publishers

3rd Edition

Selling Canadian Books in Korea: A Guide for Canadian Publishers, 3rd edition

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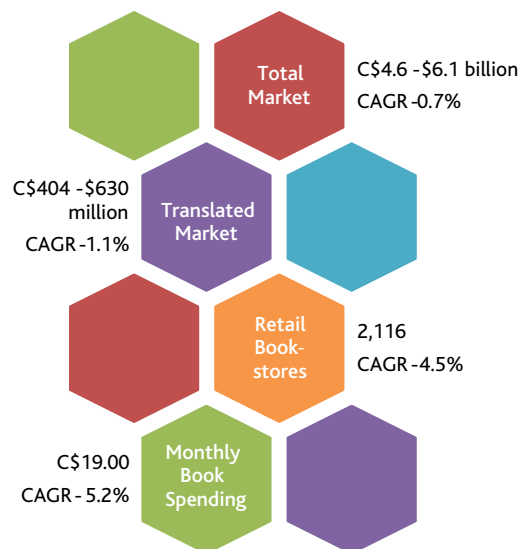
Overview of the Korean Book Market

South Korea is the only country to increase in status from developing country and foreign aid recipient in the early 1960s to member of the Organisation for Economic Co-operation and Development (OECD) and foreign aid donor at the turn of the 21st century. Korea's 50 million inhabitants (nearly 2 million of them foreigners) now have an advanced lifestyle that to some degree—as with smartphone penetration and urban style—is setting trends around the world and attracting considerable cultural attention.

Korea's journey to become the world's 15th largest economy has not been easy. It is marked by 30 years of extensive government direction, and the heavy hand of the state continues to be ever present. Korea can be characterized as a land of major conglomerates, known as chaebol, that have established a substantial global market share. These include **Hyundai**, **Samsung**, and **LG**, which make exports the major driver of the country's economy.

After many achievements in the pre-industrial age, Korea has since suffered through colonization by the Japanese and then from a state-controlled system that simplified national diversity. Only in the last 20 years has Korea's culture become vibrant and creative. While English is taught as a second language at an increasingly early age, many still use “Konglish” (English words or words derived from English with the same meaning in Korean context) rather than correct English. Students tend to have a passive knowledge of the language. The oldest generation's second language is Japanese.

FIGURE 1
Key Indicators in the Korean Book Market



Korea's population is aging. There are fewer young people of school and university age and a rapidly growing cohort of Korean baby boomers in their 50s and 60s (the Korean baby boom generation came a decade later than in North America, after the Korean war of 1950–53). The old-style economically active population (defined as 15–64 years of age) will peak in 2017; however, recent trends show strong employment growth of people in their 50s and 60s and unemployment among young Koreans in their 20s.

Although families are smaller than in the past, they are great consumers of books, particularly children's books. However, it should be noted that once past kindergarten, Koreans are more likely to be reading online rather than offline. The Korean system of education is intensive; Korean students spend more hours studying in both formal schools and after-school private institutes than students in any other nation.¹ English is taught as a compulsory subject from kindergarten on, and young Koreans have a much better command of it than their parents.

TABLE 1
Key Economic Indicators, 2010–2015

	2015	2014	2013	2012	2011	2010
GDP (KRW trillion)	1.56	1.49	1.43	1.34	1.33	1.27
GDP growth rate (%)	2.6	3.3	2.9	2.3	3.7	6.5
Private expenditure growth (%)	2.2	1.7	1.9	1.9	2.2	4.4
Unemployment rate (%)	3.6	3.0	3.1	3.2	3.4	3.7
Exchange rate (C\$1 = KRW)	845	947	1,076	1,130	1,139	1,107
Population	51,529,338	51,327,916	51,141,463	50,948,272	50,734,284	50,515,666
Household	21,011,152	20,724,094	20,456,588	20,211,770	20,033,142	19,865,179
Monthly household spending on books (KRW)	16,623	18,154	18,690	19,026	20,570	21,902
Bookstores	1,559	1,592	1,625	1,689	1,752	1,789

Sources: Bank of Korea, "국내총생산[Total Annual Production]," 2015, <http://ecos.bok.or.kr/>; Bank of Korea, "실질성장률" [GDP Growth Rate]," 2016, <http://ecos.bok.or.kr/>; National Statistics Office, *Private Expenditure and Unemployment*, 2016, http://kosis.kr/eng/statisticsList/statisticsList_01List.jsp?vwcd=MT_ETITLE&parentId=C; Korea Federation of Bookstores Association, *Annual Report*, 2015, <http://www.kfoba.or.kr/>; Yonhap News, "전국 서점 수 1천559개... 10년 새 544개 줄어" [Total Bookstores Decrease by 554 to 1,559 in 10 Years], March 9, 2016, <http://www.yonhapnews.co.kr>.

¹ Susan Cheong, "South Korea's Obsession with Top Marks is Costing its Youth," ABC News, December 27, 2016, <http://www.abc.net.au>.

Koreans are renowned for the number of hours that they study, and their aptitude scores in mathematics reflect this. The life of a Korean child from about the age of three until taking the university entrance exam between the ages of 17 and 18 revolves around study at school and putting in additional time after school at private institutes. The private institutes attempt to re-teach students the essential skills that should have been taught at school. However, the number of school children is shrinking as the population ages. This means that classes are smaller, and consequently, smaller schools are threatened with closure.

Despite this intense education process, many Koreans feel unsatisfied with the Korean system—which tends to favour learning by rote—and seek to send their children (and often one parent) to an English-speaking country for part of their education, at enormous cost. Children who have spent more than three years abroad are eligible to attend one of 162 prestigious foreign-language high schools in Korea, where approximately 86,000 students study in English.

The number of bookstores in Korea has been steadily declining over the last 20 years. The vast majority of these are independent bookshops, many of which were dependent on the sale of school textbooks, which are officially approved and frequently revised. It is the opinion of major publishers that the decline in bookstores will have minimal effect on future sales as big retailers, like **Kyobo** and **Youngpoong**, pick up the slack. Buying online from big bookshops has also become convenient and quick, with books delivered inexpensively overnight or even the same day.

Korea is generally considered to be a difficult market to do business in, as local expertise and familiarity with the market is required. Although the country and ways of business are changing, it is still a culture in which relationships are considered important. For this reason, sub-agents continue to be essential go-betweens for foreign and Korean publishers.

The Korean Book Market

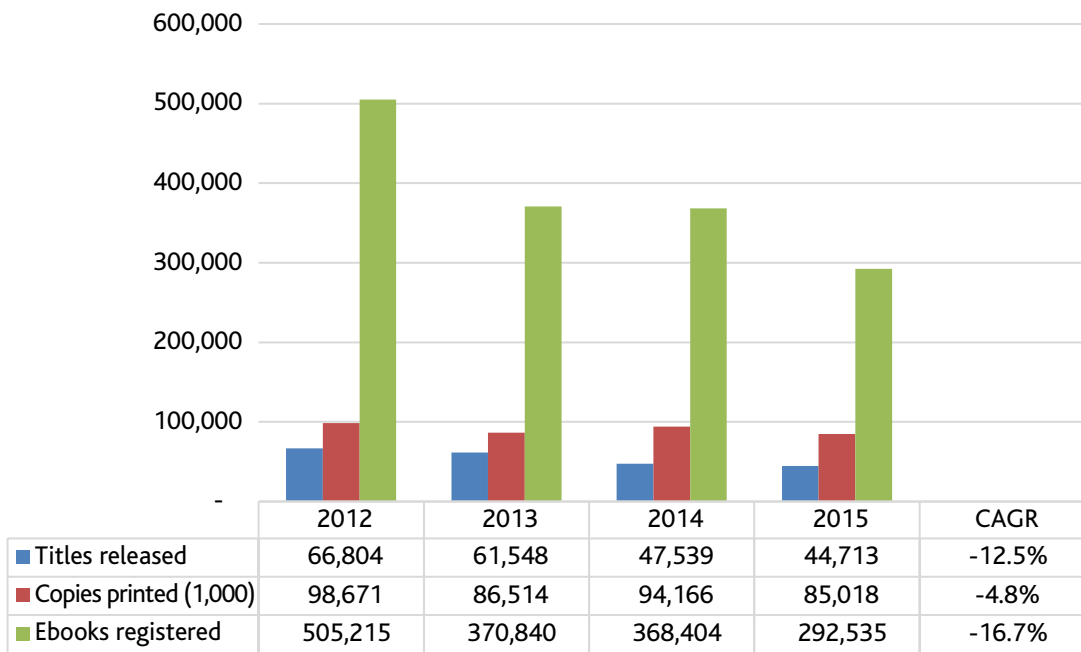
There are some questions about the size of the Korean market and the way the Korean Publishers Association (**KPA**) and Statistics Korea estimate the total market size. Depending on who you ask, the total domestic market in 2015 was ₩4,013 billion² (C\$4.6 billion) growing at 0.1% compound annual growth rate (CAGR) or ₩6,258 billion³ (C\$6.1 billion) shrinking at -0.7% CAGR. It is our opinion that the market leans more toward the latter.

² Korea Statistics Office's 2015 estimates are based on Total Copies Printed (< 18 month books) x Average List Price x 2 (secondary prints). See Publication Industry Trends, Key National Statistics, http://www.index.go.kr/potal/main/EachDtlPageDetail.do?idx_cd=1648.

³ KPIPA's 2015 estimates are based on "Trading Value by Channel" (see footnote above) x Index (annual industry-wide survey conducted by KPIPA). See Publication Industry Promotion Agency of Korea (KPIPA), *2H 2015 Publication Industry Trends*, 2015, <http://www.kpipa.or.kr/eng/main/main.do>.

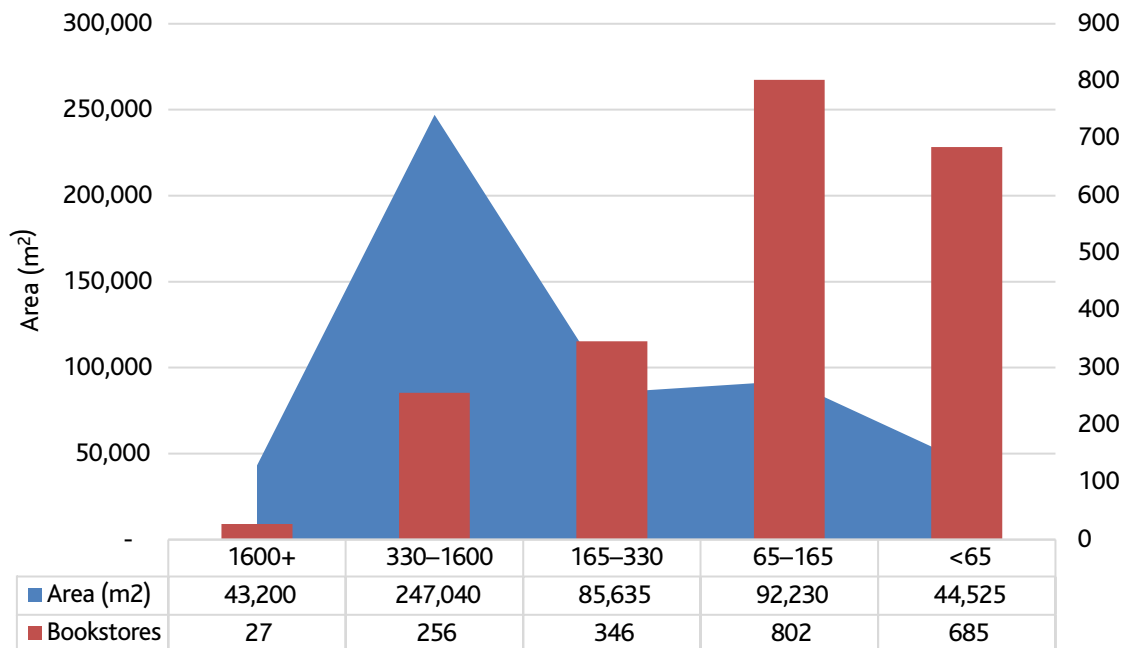
4 | OVERVIEW OF THE KOREAN BOOK MARKET

FIGURE 2
Book Sale Trends in Korea



Source: Publication Industry Promotion Agency of Korea (KPIPA), *2H 2015 Publication Industry Trends*, 2015, <http://www.kpipa.or.kr/eng/main/main.do>.

FIGURE 3
Traditional Retail Outlets by Size



Source: KPIPA, *2H 2015 Publication Industry Trends*, 2015, <http://www.kpipa.or.kr/eng/main/main.do>.

In 2016, 9,714 translated works were released, 21.5 percent of which were new releases.⁴ This is a decline from 11,648 translated works released the year before, 26.5 percent of which were new releases. When we consider that 8.8 percent of new releases in Korea originated from the United States, United Kingdom, and France, we estimate the market cap for Canadian publishers to be C\$403.9–\$629.8 million declining at CAGR -1.1 percent since 2011. Canada is linguistically well situated, as it can tap both the French and English translation markets.

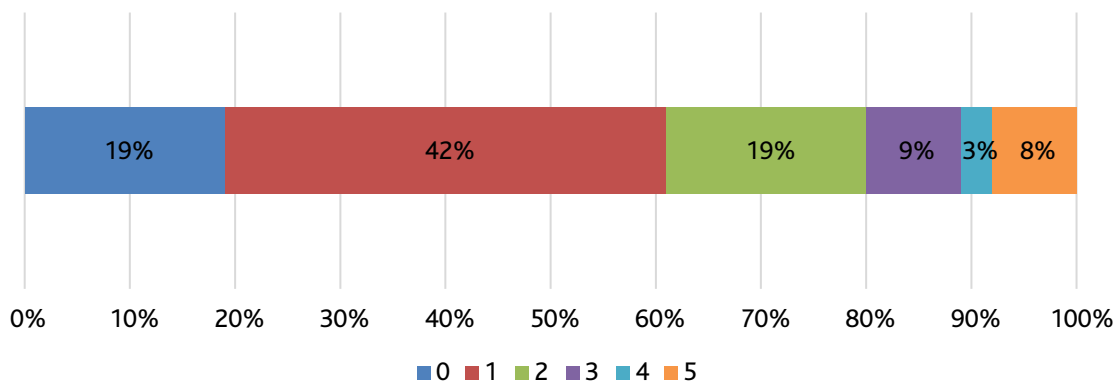
A significant proportion of translated books originate from Japan due to the geographical and cultural proximity between the territories. If we study the statistics in depth, we can see this is greatly influenced by the comic book market. More than 90 percent of comic books read in Korea originate from Japan.

Koreans feel they have a natural affinity towards the French language. Apart from holding an idealistic and romantic view of French, they believe it translates very well into Korean, maintaining emotion, feeling, and national sentiment.

Demographics and Reading Habits

South Korea has a population of 50 million, of which 82 percent live in cities.⁵ The population has remained stagnant due to low birth rates and an aging population.

FIGURE 4
Survey: Number of Books Read per Month



Source: ET News, "전자책보다는 종이책이 인기...서울디지털대 설문" [Print Books Are Still More Popular than Ebooks], October 19, 2015, www.etnews.com/20151019000060.

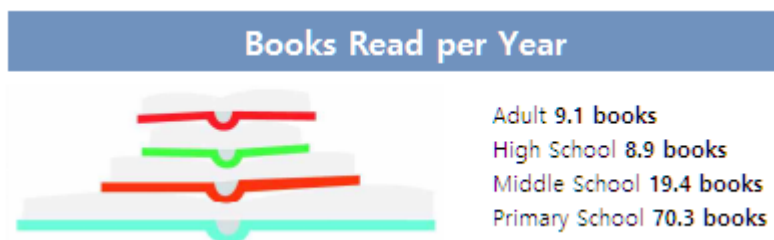
In Korea, it is believed that you will succeed in later life if you manage to get into one of the top four universities, known by the acronym SKY—Seoul National University, Korea University, and Yonsei University, plus Ewha Women's University. Korean students are pressured by parents to read and study intensively in order to get into a good

⁴ Korea Publishers Association, Publishing Statistics, *Annual Report*, April 4, 2016, www.kpa21.or.kr.

⁵ World Bank, "Urban Population (% of Total)," 2015, <http://data.worldbank.org>.

university. This would explain the year-on-year increase of average books read by students. A rising number of students aim to study abroad with the goal of attending an Ivy League university.

FIGURE 5
Survey on the Number of Books Read per Year



Source: Ministry of Culture, Sports and Tourism, "2015 Citizen Reading Habit Study," 2016, https://www.mcst.go.kr/web/s_data/research/researchView.jsp?pSeq=1590.

Readership is uncharacteristically low compared to the equivalent average in the European Union for the 40–54 and 55+ age segments. One explanation for this might be that these individuals grew up during or immediately after the Korean War, when resources were scarce and the environment shaped the mindset of that generation.

Another reason is that many Koreans between ages 20 and 40 report suffering with burnout from studying hard for university placements. They would tell you that they spend such a large amount of time staring at books for educational purposes that they are unable to associate them with leisure.

TABLE 2
Share of Sales by Category at Discount Retailer YES24

Genre	2014 Share	2015 Share
Middle/high school workbooks	14.3%	14.8%
Children's	9.8%	9.1%
Elementary school workbooks	8.0%	7.8%
Cartoons/graphic novels	5.8%	6.0%
Books for babies	6.3%	5.5%
Dictionaries	4.9%	5.2%
Korean literature	5.2%	4.9%
Foreign literature	6.4%	4.7%
Test/certification	3.0%	4.4%

Economics/business	3.8%	4.1%
Humanities	3.1%	4.0%
Self-Improvement	4.2%	3.6%
Interior design	3.9%	3.3%
Periodicals	3.2%	3.3%
Religion	2.9%	2.9%
Health/hobby	2.2%	2.6%
Young adult	2.2%	2.3%
Art	2.0%	2.3%
Technology	1.6%	2.0%
Society/politics	1.7%	1.8%
University textbooks	1.3%	1.6%
History	1.6%	1.3%
Travel	1.3%	1.1%
Natural science	0.8%	1.0%
Box sets	0.3%	0.3%
TOTAL	100.0%	100.0%

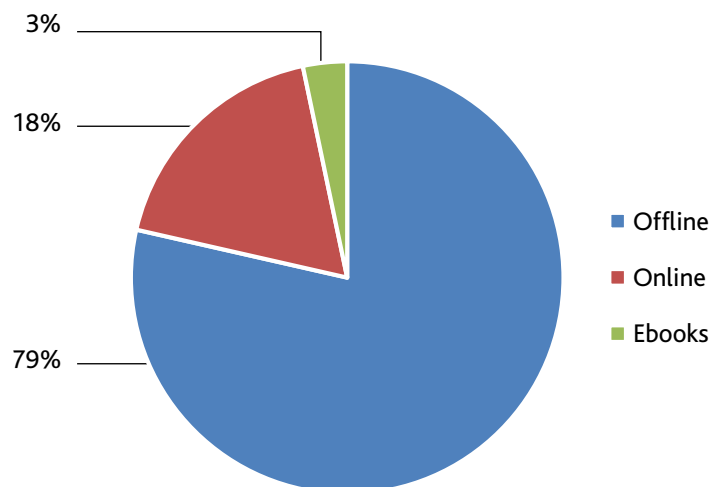
Source: Yes24, "Trends on Bestsellers and Book Sale," 2015, <http://ch.yes24.com/Article/View/28283>.

Status of Print and Digital Books

The major brick-and-mortar stores in Korea have been performing relatively well at the expense of smaller bookstores. Although it has faced challenges, this channel still commands a 79 percent share of the market.

Korea has one of the best Internet infrastructures in the world. This is reflected in the rapid growth of Internet-based bookstores that offer books at a 10 percent discount, delivered within two to three days or even faster. The majority of book buyers are likely to use the online stores for purchasing. Traveling around the city takes time and Koreans are perpetually in a hurry.

FIGURE 6
2015 Sales by Channel and Format (Total ₩6,258.4 billion)



Sources: Korea Statistics Office, *Key National Statistics*, retrieved from Publication Industry Trends: http://www.index.go.kr/potal/main/EachDtlPageDetail.do?idx_cd=1648, 2015; KPIPA, *2H 2015 Publication Industry Trends*, 2015, <http://www.kpipa.or.kr/eng/main/main.do>.

The adoption of ebooks has been slower than expected, but is predicted to pick up speed after 2016. The segment has grown at CAGR 27.7 percent since 2011. Kyobo, the largest general retailer, was quick to release their own version of the Kindle to complement their online store, but adoption has been slow.

Retailers and publishers alike have been disappointed by this lack of enthusiasm for digital books. In 2010, they had predicted that digital would overtake print by 2020. It was hoped that an increase in ebook sales would help bolster a struggling industry. Meanwhile, print books have declined -4.8 percent CAGR from 98.6 million copies printed in 2012 to 85.0 million copies in 2015.

In mid-1990, Amazon entered Korea in a joint venture with Samsung, but suffered during the Asian Financial Crisis and later retreated from operations in the country. Though there were initial fears that Amazon would re-enter the Korean market, this never came to fruition, and subsequently, innovation has stalled. With the US Free Trade Agreement passed, it is still a possibility that Amazon may yet re-enter the Korean market.

The iOS platform does not yet have content geared towards the Korean market and payment is a very large issue. Apple is reluctant to implement government-approved payment safeguards, as these must follow Korean government requirements to be ActiveX based. As a result, Apple skirted payment regulations by making consumers pay using Hong Kong dollars. This has made it very difficult for Apple's app store to flourish in Korea.

What is read on-screen is mostly dictated by screen size. Smaller screens are more appropriate for text-based reading, while tablets, PCs, and computers are ideal for more image- and graphic-based products. The three largest segments of the Korean ebook market are novels, self-help titles, and business books.