

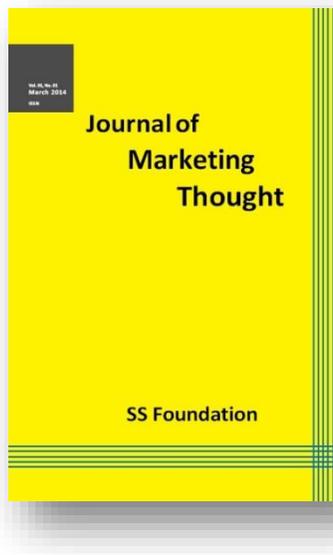
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### “Fixed Book Price (FBP) System in Korea”

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Sharon Smith, Taeyoung Kwon\*

# Fixed Book Price (FBP) System in Korea

A fixed book price (FBP) system is a mechanism to fix the price at which books are sold to the public. In South Korea, the advantages and disadvantages of a fixed book price are more hotly debated than ever before. The major reform of FBP legislation in November 2014 resulted in profound changes to Korean publishers and retailers. In this article, we analyze the performance and emerging issues of the FBP systems with a focus on bookstores (on-offline) and publishers (on-offline). Finally, we propose improvements to the FBP in Korea.

Keywords: Fixed Book Price (FBP) System, Korea, Consumer Benefits, Consumer Perspective, Improvement.

**J**ack Lang, who made the fixed book price system in France, said that the intent of the law is to refuse for books to be regarded as other common goods and to guarantee the cultural characteristics of books by fixing market mechanisms. The philosophical base of this law is that books are different from other goods and products in that they are a kind of public goods. As a result, competition in the book industry should be about their cultural value and not about their price.

We can easily find much evidence of books being different from other goods, as 'cultural public goods'. First, there are many public libraries run by taxes. Second, the publishing business, including books, newspapers, and magazines, and its distribution businesses are exempted from the VAT (Value Added Tax). Third, there is a special law, "Reading Culture Promotion Act", which is to guarantee people's equal opportunity to read books and improve their quality of life. This law stresses how important a book is in developing national intelligence and national competitiveness. Also, books are significant in establishing a foundation for lifelong education. Finally, a significant encouragement of reading by mass media and society proves how valuable books are and reading is in our society.

As such, books are different from other products. They are an essential part of education, scholarship and the development of culture. The fixed book price system is intended to protect and develop culture and to promote the distribution of knowledge and information by preventing harm due to price competition. Since our publishing market

is much smaller than that of other developed countries, this protection system is more necessary.

## Fixed Book Price System

Before we head further into our topic of the fixed book price agreement, there are some reading patterns in the Korean population that should be noted. As of 2013, the reading rate for people over 15 was 73% which is 5 percentage points higher than the average of the European Union of 68%. However, this result reported by the Korean Ministry of Culture, Sports, and Tourism is misleading because in the same article, it again states that the number of book one person reads in a year is only 10.4, meaning that people do not read even one book a month; Korea is thus ranked the lowest among OECD countries for the number of books read annually.

Also, the amount of money spent on book purchases is minimal, at only KRW 18,154, which is less than 0.5% of their total monthly income. These low rates of reading have brought forth a recession in the publishing industry, so the fixed book price agreement was enforced to revitalize the industry.

### **Original Purpose of the Fixed Book Price Agreement**

The main goal of the renewed fixed book price law is to reduce excessive price competition. By reducing discount promotions, retailers will spend less money on marketing, which will enable them to offer their books at lower prices. To achieve this goal, the government has chosen to place restrictions on the list price of books, and this action clearly shows an intention to suppress rapidly growing online retailers who have benefitted the most from discount promotions.

While pursuing a reduction in excessive price compe

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**TABLE 1**  
**Fixed Book Price Agreement (FBPA)**

	Before Reformation	After Reformation
<b>Range of target</b>	All books (excluding elementary reference book and utility books)	All books
<b>Application period</b>	Until 18 months	Until and after 18 months
<b>Discount range</b>	List price*10% + Sales price*10%	List price*15%
<b>Exceptions</b>	Library, Social welfare institution, Governmental organizations	Social welfare institution

tion, the government is also arguing that it can solve the distortion in the current book retailing system. Through such a change, local book stores can prosper, and profits to the printing industry and writers will increase, ultimately increasing the quality of books in the long term.

#### A. Local Book Stores Prosper

The local bookstores are expected to return to being price competitive since discounting the list price is restricted by law. Before the renewed fixed book price agreement, online retailers offered books at almost half of the original list price, and this was possible because large retailers were buying books in bulks, which gave them more power, compared to local bookstores, to adjust the supply price in the relationship of publishing companies. Unable to offer discounts that match with the online markets, local bookstores were suffering from consumer loss and show-rooming phenomena. Therefore, by restricting discount promotions, local bookstores can now stand at the same starting point with giant retailers, and this is expected to restore consumers and market share.

#### B. Increased Profits to Printing Industry and Writers

By fixing the list price, retailers are left with a higher marginal profit than before, and the government is expecting this profit to be shared with publishing industry and writers. In detail, it is expected for retailers to stop suppressing the printing industry by lowering the supply price. This, in turn, will increase benefits going to publishing companies and writers.

#### C. Increase in the Quality of Books

What the government ultimately intends is to increase the quality of books through competition in content rather than price. Since price competition is regulated, the only way books can survive in the market is through their content. Therefore, in a few years, higher quality books in various areas will be available to consumers.

#### **Recent Changes in Fixed Book Price Agreement**

A fixed book price agreement (FBPA) is a form of resale price maintenance applied to books. It was first legislated in 2003 and has been continually enforced through several reformations. The most recent reformation took place in November of 2014, and a summary of changes is shown in the table below. The reasons of such reformations are as follows.

First, utility books and elementary reference books were beyond the scope of the fixed price regulation. Large discounts were common for this genre, but there was an even more serious problem. In order to gain price advantages by circumventing the fixed price regulation, some people categorized other genres of books, such as literature, as utility.

Second, unlike the previous regulation, even after 18 months from publication, books have to be sold abiding to the regulation since the percentage of new books in the market is not significant so not as many books were under the fixed price regulation; the renewal was done to pursue a substantive practice of the regulation.

Third, the discount rate was reduced to 15% at maximum while it had been up to 18% total before the reformation (discounts include mileage points, discount coupons, and gift certificates). Too great of a price discount would disturb the market equilibrium, which made small- and medium-sized bookstores suffer.

Finally, the institutions that were excused from the regulation were limited to only social welfare institutions. In the case of libraries, there were many cases where books were purchased by auction meaning that they were getting enormous discounts, and the libraries benefitting from such a system exceeded 65%. In order to settle the fixed price regulation, governmental organizations were also included in the list.

#### **Current Problems of the Fixed Book Price Agreement**

According to an official announcement by the Ministry of Culture, Sports and Tourism, the list price of newly published books decreased by 4.2%, indicating that the degree

of the 'price bubble' decreased. Moreover, the price of old books decreased by an average of 54.8%. However, in spite of such a decrease in the list price, the overall indices indicate a failure in an increase in consumer utility. This also failed to bring about positive changes in the market, as the Fixed Book Price Agreement first promised.

#### A. Decrease in Consumer Utility from Books

A survey conducted by Microembrain shows that only 1.6% of consumers felt there had been a decrease in book prices. Rather, 63.2% of consumers said they think book prices have gone up after the Fixed Book Price Agreement. The results of this survey shows that although the list price has decreased, the benefits of lower prices due to discount promotions were higher than that from the decrease in the amount in the list price. Also, the re-pricing practice in old books was allowed for a very limited range of books, which consumers usually do not feel the need for. Due to the limited re-pricing practice, it seems that the consumers are not benefitting at all, even though the list prices of old books have decreased by about 54.8%.

Also, the survey indicates that more than half (52.6%) of consumers replied they were against the Fixed Book Price Agreement. Furthermore, about half of consumers (48.8%) decreased their consumption of books. This voluntary activity also led to a decrease in the overall consumer utility of books. Finally, there was a 4.5% price increase on text-books for students. Considering that textbooks are consumed by students as a necessity, the increase in price further decreased consumer utility.

#### B. Failed to Bring Changes in the Market

##### *- Failure in Prosperity of Local Bookstores*

In the official announcement of the Union of Korean Bookstores, the department's head Meehee Sung said that the sales records local bookstores neither increased nor decreased. However, small-sized local bookstores are arguing that they are rather losing customers due to the overall negative attitude of consumers toward books.

##### *- Failure to Increase Profits to the Printing Industry*

The total sales for 86 major printing businesses decreased by 1.8% compared to that of last year. In contrast, people who are producing textbooks saw their sales increase (ex., Miraeand 28%). This record shows that the Fixed Book Price Agreement resulted in discriminative support for publishers.

#### C. Decrease in a Variety of New Books

The amount of newly published books during December 2014 to March 2015 decreased by 36.3% when compared to the same period of last year. This reduction in a variety of books shows that the Fixed Book Price Agreement has also failed to trigger competition regarding the quality of books.

#### **Fallacy of Fixed Book Price Law**

The statistics indicate a failure in the Fixed Book Price Agreement, both in increasing consumer benefits and in the

subsidiary effects of improving the book market.

The fundamental fallacy of the renewed fixed book price agreement is that the government naively believes that the increased marginal benefits of retailers will be shared along to the other participants in distribution.

In addition to retailers, the distribution system for books also includes writers, publishers, and retailers. Restrictions on discount promotions has a similar effect of relieving the burden of competition for retailers. Since they do not need to put a discount on books, the increase in cost makes it obvious that profits for retailers improve. An analysis on public announcements of the Financial Supervisory Service of the 7 major retailers shows that their business profits increased by 122% from last year.

However, retailers are not willing to share this benefit with the rest of the members in the distribution system. Currently, retailers have the strongest bargaining power in the distribution channel since they are able to attract large amounts of customers. Due to such power relations, retailers feel no need to share their increase in profits with other members. As a result, the renewed fixed book price agreement has shifted the price burden to customers who cannot buy books through discount promotions. Thus, it has failed to regulate the excessive power that large retailers impose on their business relationships.

## **Fixed Book Price System in Korea**

### ***Purpose of Fixed Book Price System***

The FBP allows a publisher to mitigate price competition and thereby guarantee a sufficient margin for high-quality bookshops to operate.

In South Korea, the aims concentrate more on invigorating small publishers and booksellers. With the aim to help ease price wars among publishers, the Korean government introduced this price-fixing scheme in 2003. The existing system has been blamed for resulting in excessive discounts by online booksellers by excluding how-to books, study books for primary school students and books published 18 months ago or more from the 19-percent rule. Thus, a fresh FBP system was legislated last year with some major changes.

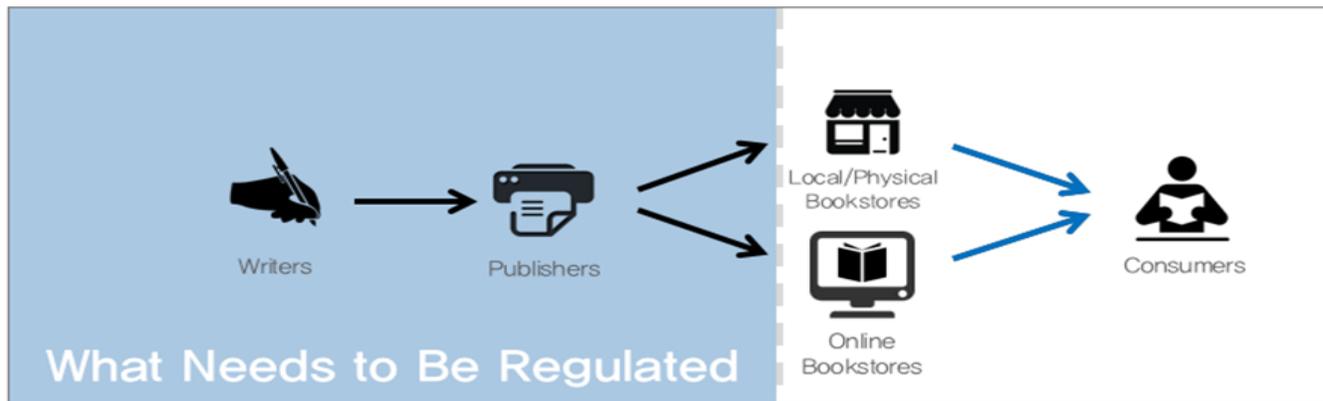
### ***Recent Developments of FBP***

The biggest change in the current FBP system is that it allows a maximum 15% discount (including an additional 5% indirect discount, such as mileage) compared to the previous 19%. The following table gives an overview of the FBP in South Korea before and after the reform.

### ***Expected Effects of FBP on Publishing and Bookselling Houses***

A system of fixed book prices is commonly seen as leading to the following outcomes.

**FIGURE 1**  
**What Needs to be Regulated**



#### *Publishers*

- Allow small publishers to survive despite the existence of giant companies, by creating an even playing field.
- Enable publishing houses to use profits generated by bestsellers to subsidize more 'risky' ventures, leading to a larger number of new book titles

#### *Online Booksellers*

- Gain an opportunity to improve a competitive edge rather than focusing on price cuts

#### *Offline Booksellers*

- Strengthen competitiveness with even prices along with online retailers.
- More contracts to supply libraries and public institutes

## **Fixed Book Price System and Consumer Benefits**

### ***Price Issue and Consumer Perception***

The most immediate consequence to the fixed price book sales system is the decrease in discount benefits. Although the government has announced that a fixed price adjustment is possible, it is not easy and there is a huge difference in terms of the effects. After implementing the revised fixed price book sales system, there have been about 1300 books that applied for re-pricing. However, most of them are children's books or old books. High quality steady sellers sell well without re-pricing, and it is cumbersome to change the cover of every book for re-pricing. Moreover, there is an issue that re-pricing indicates devaluation.

The important thing is that a decrease in discount benefits does not indicate an increase in book price. Actually, after implementing the fixed price book sales system, real book price declined by 4.2% compared to the same period in 2014. It seems that publishers, who feel free from discount burden, have decreased the price when setting the

book price. This means that there has been a price bubble on books due to high discount rates by bookstores.

However, there is a problem in the consumer perception. Even when the prices before and after fixed price book sales system are the same, consumers are likely to perceive them differently. Before fixed price book sales, huge sales were possible and consumers were highly affected by those sales, which leads to impulse buying. However, after fixed price book sales system, consumers are not likely to be attracted by book prices (which are actually the same as before) because the discount rate is much lower than before. Actually after implementing the fixed price book sales system, the sales of large bookstores (both online and offline) declined 5-10%, whereas that of small bookstores remained. Therefore, there is a general concern of a depression in the book market by discouraging consumers from buying books. In this situation, changing consumer perception is seriously required.

### ***Quality and Diversity Issue***

There is another issue of quality and diversity in the book market. People have been worried about a decline in the quality and diversity in the effect of the fixed price book sales system. There usually have been many left in inventory in case of new writers. In this case, they usually sell their books to a library with their low price, and this can help relieve damage to writers. However, after introducing the fixed price book sales system, publishers or writers have a burden on the whole loss, which can lead to fewer introduction of new writers and less diversity. Moreover, if price discounts are limited, bookstores would attract consumers by using expeditious discounts, such as free gifts. This will negatively affect the book market by making bookstores derive benefits from free-gift marketing and not from the quality itself of books.

However, there is another perspective to this issue. Before introducing the fixed price book sales system, the qualitative development of the book market was depressed be-

cause large bookstores selected and promoted books that were appropriate for marketing and discounts. As a result, small publishers who publish literature or academic books have entered a depression, which leads to a decrease in the diversity in the book market. Small bookstores have been interested only in steady or best sellers selected by large bookstores. They rarely compete with large bookstores, which has negative effects on diversity in the book market. Actually, after implementing a fixed price book sales system, there have been advances in liberal arts books in-stead of practical books that used to be best sellers. This is a positive signal, and a new structure of competition is expected for bookstores to compete with each other not through price discounts but through the quality of the content itself.

### **Social Benefit and National Knowledge**

After revising the fixed price book sales system, libraries were also excluded from price discounts. If libraries purchase all books at a fixed price, this would lead to a big drop in the quality of the libraries. Moreover, at the present, the budget to purchase books at libraries is insufficient, and there is a probability of financial cut-backs. A decrease in the quality of libraries means depriving library users of the opportunity to read books. Considering that a library is the only place where poor people can obtain knowledge and develop themselves in capitalistic society, such a situation is a huge threat to national knowledge and national welfare.

To sum up, there are both pros and cons to fixed price book sales systems. In the short run, it may seem to harm consumer interests. However, in the long run, this can improve consumer benefits, and there are some actual statistical data supporting this. Therefore, implementing a fixed price book sales system does not necessarily mean an increase or a decrease in consumer benefits. How to operate the fixed price book sales system will determine the extent of consumer benefits and welfare.

## **Controversial Points of the Revised Fixed Book Price System**

### **Major Contributor of Price Bubbles: Discount Rate**

100 days after the enforcement of a new, revised fixed price book sales system, the Ministry of Culture, Sports, and Tourism announced that the new law is heading for a soft landing and that it shows positive results. The main ground is the 4.2% decreased book price compared to the same period of the previous year. However, the revised fixed price book sales system makes structural bubbles that result from the rules that allow a 15% discount rate. Publishers set the book price considering the 15% discount rate, and then, distributors supply books with maximum 15% discount rate. This kind of supply pattern distorts the market price and makes price bubbles. Before the revised law, the discount rate was 19% at maximum, and the revised rate is 15% at maximum. The 4% change nearly matches up with 4.2% decreased book price that was announced as the main out-

come of the positive results reported by the Ministry of Culture. This can be an instance and counterevidence if the present 15% discount rates go to 0%, and the sales price could also head down to 15% as well.

### **Adjusting the Price of Old Publications: Lose Trust on Book Price and Encounter the Main Purpose of the Law, which Aims for Value-based Competition**

Items for which 18 months have elapsed after publication can be supplied at a cheaper price to consumers by re-adjusting the price, not through a bargain. According to the Ministry of Culture, the price of old publications is adjusted to an average of 54% below the list price. However, except 2699 publications that were chosen by the government and were treated as special before the revised law was implemented, only an average of 900 publications adjusted their price in a month. In 2014, an average of 4000 publications were published in a month. 900 publications are a relatively low number compared to newly-published books, and adjusting the list price is relatively more difficult than bargaining. This brings about a need for relabel the list price, incurring additional costs. Therefore, it is very difficult to achieve a reasonable reduction in price for old publications.

Also, on-line bookstores still publicize an adjustment of the list price of old publications as a bargain sale, and this has had a bad influence on settlement of the new law. These conditions make it difficult to trust in the price of the book because consumers can think that there are bubbles in the book price, and this runs counter to the main purpose of the law, which aims for value-based competition instead of price-based competition.

### **Additional Discount by Associated Cards / Offering Free Gifts / Free Shipping**

Current law does not regulate additional discounts use by affiliate cards. In an online bookstore, these affiliate cards can be used by consumers to receive an additional 40% discount on their book price. This is a result of an authoritative interpretation by the government not regarding additional discounts using affiliate cards to be an economic benefit. Some online bookstores go so far as to offer free gifts such as notebooks. Also, online bookstores implement free shipping when consumers spend more than 10,000 won. If the shipping cost is about 2,500 won, it is the same as a 2,500 won discount, and the 15% discount ceiling law has no meaning any more.

### **Confusion in Supplying Books to a Library of Local Bookstores**

As mentioned above, the revised law requires libraries to buy books at a maximum 15% discounted price. Libraries have a hard time buying books due to the increase in substantive purchasing price. The budgets to buy books are the same as in the past, but the substantive purchasing price increased. This leads to a reduction in the quantity of books purchased and has triggered a decrease in the quality of libraries. Even though there are some cases where libraries have purchased

FIGURE 2  
Book Selection of Adults, KOSIS

**KOSIS**

11 성인의 도서 선택 기준: 지역별 특성

자료갱신일 : 2014-09-22 / 수록기간 : 년 2011 ~ 2011 / 문의처 : 044-203-2609

일괄설정 + 항목[7/13] 통계분류[22/22] 시점[1/1]

(단위: %)

통계분류(1)	통계분류(2)	2011							
		계	각종 기관의 추천 도서	책을 직접 살 때 보고	신문이나 잡지의 책 소개, 광고	tv나 라디오의 책 소개, 광고	베스트 셀러 목록을 보고	인터넷의 책 소개, 광고	
전체	소계	100	1.5	37.1	14	10.1	9.5	9.2	
지역규모	대도시	100	1.5	34.8	15.4	11.4	8.8	9.5	
	중소도시	100	1.8	37.8	14.2	8.8	10.3	9.6	
	읍면지역	100	0.4	45.9	6.2	8.9	9.3	6.4	
지역	서울	100	1.8	30.3	16.9	11.8	8.9	12.2	
	부산	100	0.8	38.2	16.2	10.7	6.6	4.7	
	대구	100	0.6	43.9	9.2	10	7.5	10.3	
	인천	100	1.4	41.3	15.2	8.2	13.5	8	
	대전	100	0.9	41.2	9.4	15.9	3.5	5.1	
	광주	100	2.3	32	16.3	9.8	9.8	9.9	
	충청	100	1.1	38.7	11.2	16.6	11.5	4.9	
	경기	100	2	38.2	12.5	7.2	11.9	9.2	
	강원	100	3.2	43.7	10.8	3	4.9	15.1	
	충북	100	0.8	40	15.8	15.6	7.1	4.2	
	충남	100	1.2	29.3	24.4	4.2	16.2	7.3	
	전북	100	0	46.9	7.7	11.1	1.9	7.2	
	전남	100	0.4	39.6	2.4	7.4	3.1	9.5	
	경북	100	1.2	33.1	9	11.2	12.9	20.5	
경남	100	1.6	46.2	12.9	13	9.7	2.4		
제주	100	1	31.5	21.3	10.3	12.8	11.7		

books from local bookstores, these are limited to local governments. Almost all of supply contracts encounter difficulties because there are no reasonable guidelines.

## Reinforcement

### About Reduction of Publication after Revision

After enforcing the revised fixed price book sales system, the number of publications decreased from 18,844 to 17,364 for a period of 3 months. This is about a 7.9% decrease in percentage. However, the number of publications decreased from 2,891 to 2,302 during the first month after enforcing the bill, and this is about a 20% decrease. 7.9% is smaller than the 20% decrease. After enforcing the revised fixed price book sales system, at first, the publishers will wait and see what happens in the market. However, they now publish more new books than that of first month. The number of publications is steadily recovering to the publication levels of last year, and the decrease in publications is just a temporary phenomenon reacting due to a change in policy.

### Which is More Important when It Comes to Evaluating Books?

Before implementing the revised fixed price book sales system, large bookstores and online bookstores had a lot of competition with discounts. Large bookstores and online bookstores promoted and discounted books to maximize their profit.

Due to this situation, consumers tend to purchase books that have been discounted or promoted. According to KOSIS, 42.8% of consumers purchase books that are advertised on the internet, newspapers, TV, etc. Only 37.1% of consumers purchase books that they examine directly.

Also, many consumers buy many books that have been largely discounted by online bookstores just before enforcing the bill. Consumers have bought well-promoted and largely discounted books unconsciously rather than buying books that actually suit them. They have been deprived of their right to examine books in equal conditions freely. From a point of view, books can help cultivate knowledge can lead to qualitative improvements in life, the situation which books cannot be evaluated by their value results in a great loss to consumers. On the other side, this situation encourages consumers to buy books that do not suit them, so consumer utility (satisfaction) for the books eventually decreases.

## Perfect FBPA vs. Abrogation

Ultimately, with the current incomplete fixed book price agreement, it seems that only huge opposition would be aroused from the consumers without the effect of revitalizing small local bookstores. Without a doubt, current fixed

**TABLE 2**  
**Overview of FBPA in Korea**

	Before 21. Nov. 2014	After 21. Nov. 2014
<b>Scope</b>	All books except how-to books, study books for primary school students	All books
<b>Duration of</b>	18 months (including only new books)	18 months (including both new and old books)
<b>Applicability</b>		- Books published 18 months ago can be readjusted
<b>Discount Range</b>	Up to 19% - Price discount: 10% off the regular price - Indirect discount: up to 10% of the regular price (e.g., mileages, coupons)	Up to 15% - Price discount: 10% off the regular price - Indirect discount: up until the discount total doesn't exceed 15%
<b>Exemption</b>	- Public library - Welfare Facilities - Public institution	Publications sold to Social Welfare Facilities
<b>Fine for</b>	1,000,000 KRW	1,000,000 KRW
<b>Negligence</b>		

book price agreements should be amended, and there are two ways to do so: perfect fixed book price agreement that more strictly limits discount ranges and prohibits free deliveries, card discounts, and mileage accumulations, or abrogation of the fixed book price agreement.

### **Perfect Fixed Book Price Agreement**

There are many countries that have implemented the fixed book price agreement, including 14 countries listed as members of the OECD. The most renowned FBPA is the Lang Law in France. Under the lead of Jack Lang, the minister of culture in France implemented a strict FBPA in 1981 to protect local bookstores. According to the Lang Law, publishing companies set the list price of books, and retailers such as bookstores and supermarkets can offer only up to 5% discount. The anti-Amazon Law, adopted in 2014, even strengthened the existing agreement by banning online markets from offering discounts and free deliveries.

As a result of the FBPA, France is now the world's number one country in terms of bookstore concentration, and it has about 3500 traditional bookstores, including at most 800 bookstores that are unrelated to publishing and retailing franchises. This is comparable to the situation in England, which has less than 2,000 bookstores that are continually decreasing in size due to competition with online

bookstores. The FBPA is attributed as the main force behind making France a top 5 publishing country with a market size of 4.5 billion Euros.

Considering the current situation in Korea, it is doubtful whether implementing a perfect FBPA, such as the Lang Law, would help local bookstores be revitalized. Rather, there is a greater chance of having negative effects on consumer utility. First, if a strict FBPA is enforced, the price has to increase, and this will decrease the willingness to purchase by consumers and to further stagnate the book market. The Publication Industry Promotion Agency of Korea analyzed that with the renewal of the FBPA, the average book price will increase about KRW 2200 from KRW 14678m, which is about 15%. On the contrary, one security company estimated about a 9% rise. The elasticity of demand of books in Korea is -2.574, which means that with a 1% price increase, the demand for books will decrease by 2.574%. Having this in mind, we can see that implementing a perfect FBPA will lower the sales for bookstores since consumers will reduce their consumption by more than the amount of price increase.

Second, unlike French consumers in the 1980s, the consumption pattern in Korea is focused on giant online or

**TABLE 3**  
**Classification of Subjects by Size**

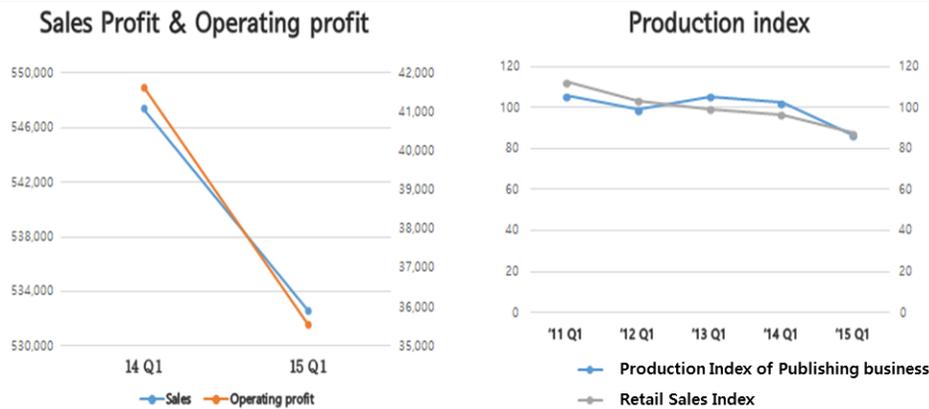
<b>Bookstores</b>	
<b>Major Bookstores</b>	Kyobo, YoungPoong, Bandi & Luni's, Aladin, Seoul Bookstore, Libro
<b>Small or Mid-sized Bookstores</b>	<p>Small bookstores:</p> <p>Located in local areas with easy access to local people.</p> <p>Covering less than 100 pyong, with the average floor space of 22.5 pyong.</p> <p>Sales force from 2 to 3 representatives.</p> <p>Highest percentage of sales coming from study-aid books (87.2%), followed by general books (2.6%)</p> <p>Mid-sized bookstores:</p> <p>In-between grand and small bookstores in size, with the average covering space of 167.3 pyong.</p> <p>Sales force from 8 to 9 representatives.</p> <p>Biggest sales from general books (46.5%), followed by study-aid books (41.9%)</p>
<b>Online Bookstores</b>	<p>Offline-online bookstores: Internet Kyobo, YoungPoong</p> <p>Online-only bookstores: YES24, Interpark IMT</p>
<b>Publishers</b>	
<b>Major Publishers</b>	- Annual profits over 2 billion KRW
<b>Small or Mid-sized Publishers</b>	- Obligated to report a statement of audit
<b>Small or Mid-sized Publishers</b>	- Comprised of less than 5 personnel
<b>Major Publishers</b>	- Accounts for 95% of the publishing houses

offline bookstores, so it will be harder to change their pattern. Consumers who have a certain book in mind use the online bookstore, which frees them from place or time constraints by delivering the chosen book in a few days after just a simple search. Even for consumers who would just like to look around for a book to buy, visiting a small local bookstore is not favored since giant bookstores have varied assortments. Therefore, the perfect FBPA can not only bring prosperity to local bookstores, but also increase transaction costs, which distorts and limits consumer preferences, creating social inefficiencies

Finally, it is highly likely that giant retail bookstores will hog all profits coming from the price increase. The aggregated sales for the top 4 online bookstore companies,

which includes Yes24, Interpark, Kyobo, and Aladdin, is 970 billion won, which is more than 30% of the total book market. Numerous small and medium publishing companies rely on giant retailers, so the power imbalance is significant. One result of such power relations is that publishers differentiate the supply price between giant bookstores and small local bookstores. It is obvious for publishers to give quantity discounts to giant bookstores who buy in bulks. However, such low margins are covered up by the high margin they require from small bookstores. It seems that enforcing a strict FBPA will only increase the margin rate for giant bookstores and will fail to increase that of small bookstores. Therefore, the burden that consumers take will only benefit

**FIGURE 4**  
**Sales Profit, Operating Profit and Production Index**



the large retailers.

### **Abrogation of Fixed Book Price Agreement**

Repealing the FBPA and allowing for perfect competition in book prices will benefit consumers. This is possible because book prices in a perfectly competitive market will be lower than current prices. Furthermore, to maintain low prices, retailers will design efficient distribution strategies that will benefit consumers in the long run as well.

There are two ways of explaining how the FBPA decreases book prices. First, free competitive market drive retailers to lower their unit costs. Governmental regulations, such as the FBPA, brings forth inefficiencies along with a distortion of resources. The publishing industry has criticized giant retailers or online bookstores for developing new promotion strategies that circumvent the FBPA. However, this is denying the fundamental concept of capitalism. Market participants who want to achieve a comparative advantage by developing efficient distribution channels have fallen behind due to such regulations. Therefore, if such regulations are removed, the market will return to a competitive environment, which leads to low book prices.

Second, abrogating the FBPA will increase the range of choices of distribution channels for consumers, which will decrease the price of books. The Korea Fair Trade Commission has disagreed in the approval of FBPA in the first place asserting that it limits the range of selection for consumers. If the FBPA is repealed, as mentioned above, channel members would have to find ways to become more efficient. Through such a process, retailers and publishers may cooperate to develop an e-book channel that will increase consumer's choice. Therefore, consumers will be able to pick the cheapest channel from the group, lowering the overall market price.

Consumers can not only benefit from lifting the financial burden, but can also gain better accessibility to books. Unlike other countries under the FBPA, such as France and Germany, the number of public libraries in Korea is very small. In such a case, repealing the FBPA will help people

obtain better access to books they cannot find from public libraries.

However, some problems may rise due to the repeal of the FBPA. If price competition becomes intense, small bookstores that do not have a comparative advantages in prices might be wiped from the market. Currently, the Korean book market is such that a small quantity in a batch production system consisting of 40000 kinds of books being published in small amounts of a few hundred or thousands a year. With the absence of small bookstores, large publishing companies will try to lower prices by achieving economies of scales through mass production of bestsellers.

Then, bookstores will not have much choice but to buy these mass produced books to keep their margins higher. Therefore, as time goes on, the percentage of small-quantity published books in the market will dramatically decrease, which is not a good sign in the book market. Specialty publications or literary works of new writers, due to their characteristics, have lower sales compared to utility books or best seller literary works. These books, which work as the basis to create culture, can be considered as a public good. Therefore, the fact that there are low sales should not be used to neither undervalue these books nor decrease the publication of these books.

Also, the abolition of the FBPA may result in an imbalance in the distribution system. The background behind the lower consumer price of online bookstores compared to small local bookstores is not only that they can achieve lower prices through an efficient distribution structure, but also due to the lower supply rate. The supply rate refers to the ratio of the purchasing price over the consumer price. Now, small local bookstores have about 15% higher supply rate, which works as a drawback to price competition. When the FBPA was removed, this difference in the supply rate would have supported only online bookstores to have an advantage in lowering the price, which will lead to a concentration in the market share to online stores.

## FBP Assessment

In this part, we will examine how the fixed book pricing system in Korea has been working since the latest reform in 2014. The subjects of evaluation are mainly 2 players 1) bookstores (on-offline), and 2) publishers (on-offline). The assessment will be conducted by reviewing the sales profits and operating incomes. For subjects lacking in quantitative data (e.g., financial statements), we extensively employ qualitative information.

### **Sales Profit and Operating Income**

#### **A. Grand Bookstores**

The data released by Korean Publishing draws a rather rosy picture of the state of the country's large bookstores. Right after implementing the reformed FBP, book sales seemed to stagnate for a while. As we analyzed some of the bookstores, there turned out to be a temporary decline during the winter season. According to the most recent report, sales profits of grand bookstores are looking up. The table below shows the sales profits for major bookstores in South Korea.

Publishing houses cited FBP as the reasons for an increase in book sales. While the prices supplied from publishers remained still, only the selling prices rose due to FBP. The gap between two prices left higher distribution margins for major bookstores.

#### **B. Small and mid-sized bookstores**

According to monitoring research from the Publication Industry Promotion Agency of Korea, 9 local bookstores (small and mid-sized) showed an increase in sales after FBP, which is equivalent to 36% of the researched bookstores. However most of the 15 stores (60%) had no change in sales.

### **Achievements: The Purchase from Public Institution Now Goes to Smaller Bookstores**

After FBP, some local governments made a law forcing public institutions, including public libraries and local government institutions, to purchase books from small or mid-sized bookstores. Before FBP, it had been mostly major bookstores that provided public institutions the books with a higher discount rate. After the FBP, there will be more contracts going to smaller bookstores.

### **Limitations: Differences in Book Supplying Rate still Exists**

#### *Major publishers*

Large publishers refer to publishers with more than 30 employees or more than 2 billion won in yearly sales. Among these large publishers, we consider 10 publishing companies listed on the Korean stock market as being typical. The companies report business statement quarterly, showing the difference before and after the FBP.

The publishing industry is mainly influenced by the season, and compared to the first quarter of last year, this

year's sales from large-sized publishers decreased by 5.1%, and the operating profit decreased by 14.5%. Following the charts above, the consumption index in 2015 decreased dramatically when compared to the declining tendency.

### **Achievements: The Margin of a Book has Increased**

The FBP has affected not only the sales but also the marketing strategy from large publishers. Before, FBP allowed price competition by showing a deep discount rate. By applying the discount on the special book, the large publishers placed it on the list of bestsellers. However, after FBP, they cannot use this marketing strategy and must change it. Large publishers have more profits temporarily due to the limited rate of sales resulting in an increase in price.

### **Limitations: Adapting a High Discount Rate when Making Bundles**

Large publishers made a money from limiting the rate of sales. However, this makes customers perceive that the price has increased, and companies are forced to make a new strategy. The new marketing strategy of large publishers uses loopholes in the FBP

For the FBP, the discount rate for each book is limited, but the set of diverse books does not limit the discount rate. Therefore, they bundled several books and adapted a high discount rate.

#### *Small or Mid-sized Publishers*

Small or mid-sized publishers refers to publishers with fewer than 30 employees and less than 2 billion won in yearly sales. Since these publishers do not apply to companies that should post financial statements nor be listed, it is hard to obtain financial data, such as yearly sales, after FBP.

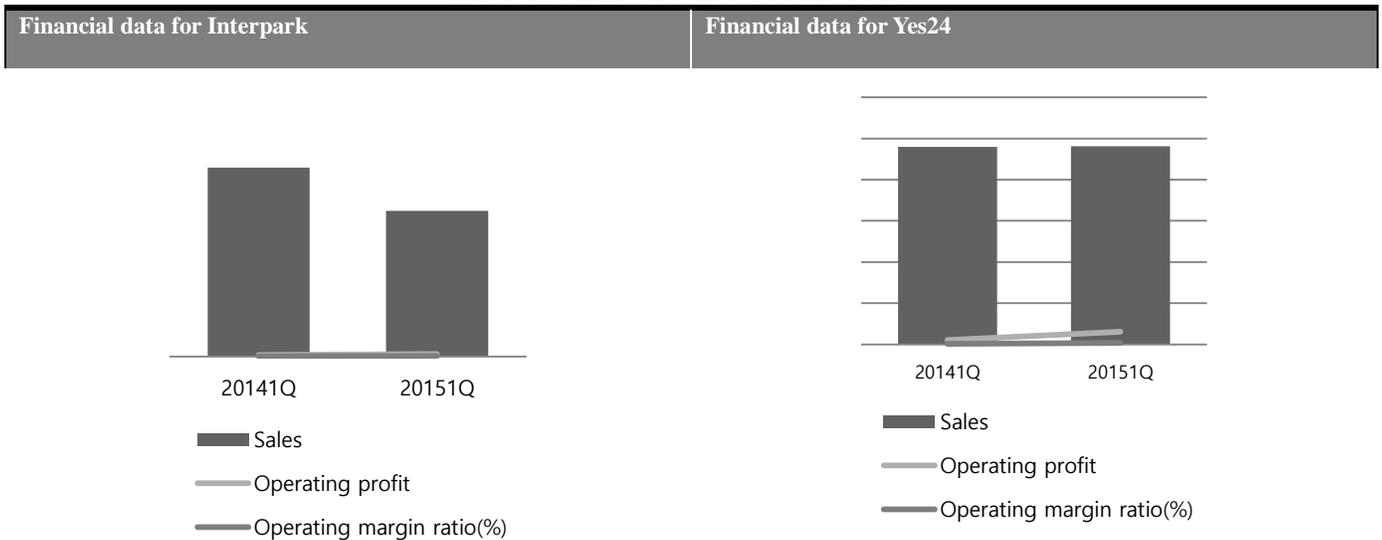
### **Achievements: Hitting Best Seller List**

FBP had a positive influence on small or mid-sized publishers in terms of making the best seller list. Before the FBP had been implemented, old books that had been published more than 18 months prior occupied from than 70% of 20 best sellers. However, recently, most best-selling books are newly-published books. According to the "20 best sellers" list of the 3rd week of March of the Korea Publishers Society, the publisher of the number one best-seller ('courage to be hated') had been established last year, and the publisher of 3rd best-seller ('4 am 30 minutes at Harvard') was a one-man company of 3 years, and the publisher of the 7th best seller ('secret garden') had only a 3-year history with 3 employees. In addition, 'Hanbit Biz' which published the 2nd, 6th best seller was a company of 9 employees. Even if the list hitting by small or mid-sized publishers was not only attributable to the FBP, it had a positive effect on small or mid-sized publishers with less brand power and capital strength than grand publishers.

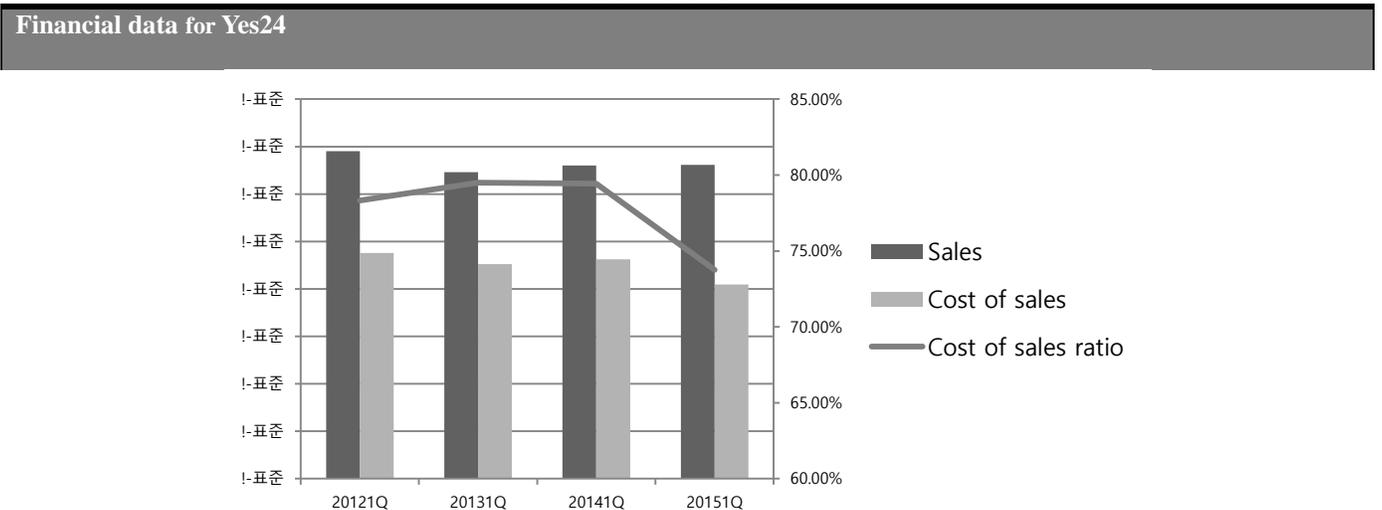
### **Limitations: Unchanged Supply Rate**

Tricks in the business of large bookstores and online bookstores, with a low supply rate, have shown the shortcomings of the FBP. Originally, the FBP was intended to

**FIGURE 5**  
Sales of Online Bookstores after FBP



**FIGURE 6**  
Financial Data for Yes 24



set restrictions on price wars and to promoting competition among large publishers and large bookstores in terms of the content of the published books. However, most large online bookstores have provided benefits such as free delivery, 20~40% credit card discounts and free gifts, all of which were not restricted by the FBP. This means that publishers have to supply books at the price adjusted for the sorts of benefits provided.

Small or mid-sized publishers have a structural weakness in their negotiation power. In the current situation, large bookstores that operate online and offline have a large market share in the industry, and the transactions with a wide

area for wholesalers who are responsible for distribution to local bookstore takes a long time to cash out. These two factors make small or mid-sized publishers depend heavily on grand bookstores and online bookstores, and these bookstores have a great bargaining power against small or mid-sized publishers. This makes the supply rate be comparatively low compared to grand bookstores.

In summary, FBP had positive effects in small or mid-sized publishers in terms of entry into the best-seller list, and its unchanged supply rate and structural weakness in distribution network remain as things to be reformed.

### Online bookstore

Sales of online bookstores decreased after FBPA. According to the 'online shopping business survey report,' the volume of online shopping business in the book sector was at its highest ever, at 1.28 trillion won with a 7% growth rate. In particular, in November and in the fourth quarter of 2014, the sales volume marked the highest figure, but in the first quarter of 2015, the volume was 316.9 billion won and decreased 13.1% against the same period last year.

Great records in November and in the 4th quarter of 2014 come from the temporary, large promotion and discount events by bookstores just before FBPA implementation. However, after FBPA, the amount plummeted to its lowest figure in 6 years, and the year-on-year decline of 13.1% was the largest decline after 2001.

Sales of books decreased more in an online store. During the 4 months between November 2014 and March 2015, the transaction volume for online shopping in book sales dropped about 12.8% year-on-year over the same period, and sales of stationary and books decreased about 7.9% year-on-year in the same period. This means that the width of the decrease in the online book sales was larger than that of the offline book sales. The sales of both companies dropped, and the operating margin and operating profit to sales ratio increased.

The analysis of the sales and operating profit after FBPA show that the sales of the online bookstore dropped, but the operating profit increased with an improved margin rate.

An analysis of the online bookstores included 'Yes24' and 'Interpark', which posted their 1st quarter financial statements. We used separate financial statements for 'Yes24' and the book segment from the consolidated financial statements of 'Interpark'. In the 1st quarter of 2015, the sum of sales of the two companies was 141.1 billion won, which shows a decrease of about 8.5% year-on-year over the same quarter, but the added operating margin was 6.9 billion won, which increased by about 162.5% (operating margin of 'Yes24' increased 185.5% from 2.1 billion won to 6.1 billion won, operating margin of 'Interpark' book sector increased 63.7% from 0.49 billion won to 0.807 billion won). The operating profit to sales ratio of 'Yes24' increased from 2.21% to 6.3% in the 1st quarter of 2015 and that of 'Interpark' increased from 0.84% to 1.79%. The improved margin could be attributed to a decrease in the cost of sales. The ratio of the cost of sales for 'Yes24' was 78.33%, 79.49%, 79.43% in 1Q of 2012, 2013 and 2014, but it dropped to 73.75% in 1Q 2015 after FBPA.

In summary, even if sales for both companies decreased, the operating margin and the operating profit to sales ratio increased. After FBPA, the sales from online bookstores decreased. However, the selling price went up with a comparatively lower discount rate than before, but the supply rate from publishers did not change much. This led to an increase in operating margin and operating profit-to-sales ratio. In an online bookstore's position, the FBPA had a positive effect on their business because this decrease in sales was smaller than the increase in the margin rate in the 1st quarter of 2015.

## Discussion

### Regulation of the Supply Rate

Even if there are ways to improve the market situation, the sudden abrogation of protective laws can lead to suffering by small bookstores due to aggressive price competition. To protect small stores from exposure to severe competition from discount promotions, the government should place regulations on the rear side of the supply chain.

The problem of small local bookstores falling behind due to the abolition of FBPA can be prevented by unifying the supply rate. As mentioned above, due to quantity discounts, giant bookstores are supplied at a 15% lower rate than small bookstores. However, if the law prohibits discrimination in supply rates, an environment can form where giant bookstores and small bookstores can compete freely. This is already happening in Germany on account of the 6th article of the "Law of Maintenance of Reselling Price of Books" which states that there should not be any discrimination in supply prices to intermediary dealers of books from publishing companies.

Unlike the FBPA, which places all price related burden on consumers, this solution will force fair competition among retailers, leading to higher consumer benefit. When various retailers are supplied with a uniform supply rate, they will search for strategies in which to better survive. For example, one can differentiate from price differences while the other can focus on specialty in a certain category to appeal to customers. Through healthy competition due to a standardized supply rate, the giants and small bookstore and make an environment where they can co-exist.

### Conclusion

In conclusion, the current fixed book price agreement allows ambiguous discounts of 15% that have not only failed to revitalize local bookstores, but has also caused anger among consumers due to increases in prices. Hence, it is inevitable to choose between the implementation of a perfect FBPA and the abolition of the current FBPA. A perfect FBPA, however, does not seem to effectively improve consumer welfare since online and major bookstores have been success-fully established in Korea. Contrary to France in 80's, Korean consumers are accustomed to visiting online bookstores if they have specific books to purchase or to go to major bookstores if they just want to look around. Thus, the FBPA should be abolished and consumers would benefit from lower prices and higher accessibility of books due to competition among distributors and channel participants. On the other hand, the problems of abolishing the FBPA – the decrease in variety of publications and in local bookstores – could be alleviated by holding many contests, founding co-operatives, and differentiating by specific theme.

It is desirable to promote a wholesome publication environment where there is competition in terms of quality rather than price. Nevertheless, it should not be just regulat-

ing the list price to transfer all burden solely to consumers. Books are a fundamental source of knowledge, so a rational policy has to be legislated by considering the varied impact on the participants in the distribution channel.

### **Problem of Fixed Price Book Sales System**

There are two main problems of the fixed price book sales system – the prevalence of expedients and a high supply price for small and medium size bookstores.

To elaborate further, both big bookstores and publishing companies use expedients to maximize their profits. Large bookstores and internet bookstores offer premiums, or discounts, based on affiliations with card companies or mobile communication companies. Moreover, those companies set the prices of books that they randomly provide as a ‘set’ at much lower than what is regulated by abusing the law that the price of a set of books is lower than that of an item of book. Also, publishing companies use other distribution channels, such as home-shopping with a much lower price than selling at bookstores. For example, Dasan studio sold their ‘Who’ series of books on home-shopping channels with a monopolistic discounted price, leading to skepticism over the violation of the fixed book price system.

Secondly, another problem is that the supply price for middle and small bookstores is still too high compared to the supply price for big bookstores. This brings about problems since the selling price is set due to the fixed book price system. However, the supply prices are different, leading to different margins of the bookstores according to their size. Therefore, the object of the fixed book price system, which is to promote small regional bookstores, cannot be achieved.

## **Discussion Improvement Plans and Proposal**

Our solution for the current ‘Fixed book price’ is to make the system adequate for its original purpose: 1) stabilizing the book price and 2) seeking mutual growth of large book stores and small ones. Our team thought that buying books at the lowest price is not in the best benefit of customers. As mentioned in the very first part of this paper, in the long term, purchasing books at their proper price enriches the overall book industry and writers, and this will lead to customer benefits. Also, the existence of many different small and mid-sized book stores will increase customers’ accessibility to books and make short-distance book shopping possible. We have come up with solutions to make such an environment possible and have approached this issue from a long-term point of view, not just focusing on customer costs to buy each book. The important thing is buying a book at a fair price, not at the lowest price.

### **Revising the Law**

To prevent large bookstores and publishing companies circumventing regulations, there should be revisions to the

fixed price book sales system law. The price of book sales has been regulated by law since 2003, and the regulations have been continuously revised. The most recent revision was last November, and this revision has caused many issues. To prevent these, there should be another revision.

The current law regulates as illegal for ‘main agents who sell a publication’ to provide ‘economic advantages’ exceeding 10% of the actual selling price. However, many bookstores provide premiums and affiliate discounts. Currently, these are not accounted for as ‘economic advantages.’

Therefore, these premiums, shipping charges, and affiliate discounts should be considered as ‘economic advantages.’ Third, the revised law should regulate the fact that the price of the ‘set’ of books is lower than the price of one book item.

### **Legal Support for Authors**

An inability to receive proper compensation is one reason for which people hesitate to become writers. The simplest way to help authors economically is by offering them subsidies or higher royalties for books. However, with either of these measures, consumers must pay fees that result in an environment where writers have difficulty surviving. By giving subsidies to authors, though, there can be misuse by allowing writers to survive without publications. For the later measure, publishing companies might not be willing to allow writers to publish because they would have to share a higher portion of the output with writers.

Consumers are willing to compensate only those who they think present competitive and suitable choices. As a result, appropriate measures to support authors are to give legal advice when making contracts for royalties. In this way, authors are guaranteed to receive the proper payment according to the value of their work. Moreover, consumers can see the writings of competitive writers and can compensate only those who are competitive and likely to produce better work in the future.

### **Alliance with government**

There should be a solution to save small and medium book stores. One way is to form an alliance between the government and them. This can be achieved by the government providing priority to small/medium book stores to sell books that the government or public institutions need.

There are examples of excellent cases of regional governments supporting small bookstores. For example, the Seoul Education Office announced a policy to buy books of less than 10 million won from neighboring regional bookstores in public or school libraries. Another good example is provided by Uijeongbu. This city implemented ‘membership point’ system that linked public libraries and regional bookstores. If records of borrowing books are high, points are given to users of libraries that can be used in regional bookstores. This policy aims to increase the use rate of regional bookstores. Moreover, Paju City has held discussion for citizens, library management institutions, and owners of regional bookstores regarding policy to require

public libraries and schools to buy books from regional bookstores.

### **Cooperative association**

The supply price for small and medium bookstores is much higher than that of large book stores, which is based on the economies of scale. However, if it threatens the livelihood of small businesses, other solutions should be provided.

We suggest that small regional bookstores make cooperative associations. There is an example of the Busan cooperative association, which has succeeded in maintaining its commercial supremacy after the introduction of the fixed price book sales system. This Busan cooperative association aims to reduce distribution fees by installing common workshops for delivery and sales of books. This association delivers book ordered by Internet or phone all over the Busan area with a 15% discounted price. By constructing cooperative associations, they could equip a system that can provide similar quality of service with Internet-based or large bookstores. In addition to reducing the prime cost through group purchases, they have adopted mileage cards for all bookstores that belongs to this association. These efforts could raise their competitiveness over large bookstores.

Another good example of success in cooperative unions can be found from other countries, such as the US or France. In the US, the American Booksellers Association, or ABA, promotes small regional booksellers. They point out that the cause of frustration of small regional bookstores is their poor managing abilities. Therefore, they hold education sessions annually to teach accounting, how to interpret sales information, ways to display books and hold promotional events.

By benchmarking these examples, we believe that small regional bookstores can survive in the bookstore market. With cooperative associations, small bookstores can reduce the supply costs and distribution costs and can also promote demand by regional customers by making membership and mileage programs for bookstores that belong to the cooperative association. Moreover, cooperative associations can bring about positive outcomes by applying collective intelligence.

### **Fixed Supply Price**

To support and save small bookstores, the fixed supply price should be adopted. The essential problem that small bookstores face is that there is an expensive purchasing price compared to online bookstores and major bookstores. Even though the system regulates the selling price, if there were no sanctions or regulations on purchasing price, the situation will continue to be unfavorable to small bookstores. Considering the fair reason for a lower purchasing price of big book stores according to the 'economies of scale', the difference between small and large book stores is too big. Since small book stores are inherently in an adverse situation, favorable policy should be purposefully made. The complete, fixed supply price would face huge opposition from major book stores, so we recommend starting from magazines and studying materials for students that are

major profit sources of local book stores. This will increase competitiveness of small book stores and let them compete with big stores fairly. Starting from these two sectors and gradually expanding this policy will lead to a reading environment where customers can obtain the same books at the same price from anywhere, which encourages easier purchasing and more reading.

### **Lower Discount Rate**

The current 15% discount rate is too high and it works as a mandatory 15% discount. Since it is possible to discount 15%, books are set at a 15% higher price at first. This is deceiving to customers by putting a legally acceptable price bubble and then giving discount by that amount, which is against the original intent of the law.

Further, if a 15% discount is allowed, all online bookstores and major bookstores would do it, and this would require small bookstores to do so as well. However, small and mid-sized bookstores' operating profit would become 0%, but only if they give a 10% discount. The 15% discount rate is actually a burden to small book stores. In order to get effectiveness from this law, discount rates should be lowered. In fact, European countries which have adopted and developed this law earlier than us have a very low discount rate. As for Germany, discount rates including free gifts are regulated to be below 2%, and in France, only a 5% discount rate is allowed for every book store. Since the book industry and reading environment are very different between Korea and European countries, if the discount rate is removed right now, opposition from consumers would be very strong. Consumers complain a lot about expensive book prices, and lowering the discount rate to almost 0% should be done gradually with a growing understanding by consumers of the law. Discount rates consist of a 10% price discount and 5% indirect discount. First, the percentage of the price discount is lowered to 5% to keep an indirect discount rate. Then, that 5% price discount should be removed, and finally remove all discount rates.

### **Direct Support to Local Book Stores**

To ensure mutual growth and co-existence of major book stores and small book stores, more policies supporting small book stores are needed. The fixed book price system focuses on making a fair book market. To save and revive small, local book stores, more direct details are required.

There are some good cases of cooperation between local governments and local book stores. Under the assistance of the Ministry of Culture and the local government, some public libraries (Kang Dong Public library, Dong-hae public library, etc.) and libraries in schools purchase their books from local book stores. Local libraries purchase books from local book stores and thus revitalize the regional economy. Local book stores develop some benefits related to local libraries and give diverse benefits to consumers. For example, in Uijeongbu, the 'Membership Point' system links public libraries and local book stores and has been practiced since last year. If people borrow many books from local libraries, they can get points and can use them in local book stores. This will lead to an increase in using lo-

cal book stores.

Now, this kind of system is practiced in only few regions in different ways. If this system is better organized and adopted in many regions, it will strongly contribute to the growth of local book stores, and people can obtain diverse benefits from their regions.

With these strict policies, complete fixed book prices would be possible. 1) A price bubble would be eliminated, and book prices would be stabilized. 2) Small and local book stores become competitiveness and grow with large book stores. In such an environment, the book industry can have diverse distribution channels and can increase book accessibility to consumers. 3) Books will be valued and promoted by their content and quality, not by the price and discount rate, and this will ultimately lead to more diverse, valuable contents in book markets and offer a better reading environment to consumers. In the end, this will bring about a qualitative development in the entire book market and lead to advances in culture.

### ***Differentiation: Turning into 'Themed Bookstores'***

Another solution is for small bookstores to differentiate from large conglomerates. Since giant bookstores are being managed in a standardized manner, people might find these helpful but at the same time, wearisome. Since large stores have to handle various categories or genres of books, there does not need to be too much depth, which is what some consumers are looking for. Thus, we would like to suggest a themed bookstore to differentiate from other large bookstores. For example, one bookstore can treat various books related only to traveling, with great depth in its assortment. Other examples of the theme can be sports, crafts, or even literature. In addition, in these themed bookstores, they can hold monthly sessions to acquire regular customers. These sessions can be any kind related to the theme of the bookstore. If it is a literature theme, some examples may be to have monthly discussions on a specific piece, invite a renowned author, and hold writing contests. A renowned example of such bookstores is the "Cook Coop" in Japan, which is a bookstore composed of books related to cooking. Aside from selling books, they also sell ingredients or materials that are specified in the books at one corner of the store. Furthermore, they hold cooking classes or tutorial sessions to attract customers to the store.

### ***Supporting the Contest for Publication***

There are a limited number of contests and most of them are not well known. The government can increase subsidies given to holding and advertising contests for authors. If authors directly receive greater opportunity for publication with an increased number of contests. Consumers will eventually be given more variety of authors and books to choose from.

Also, other than physical contests, nowadays, contest are held through the internet with greater popularity among consumers. For example, Naver has been operating a contest allowing new authors of novels and webtoons to post their work on Naver. Since they can reach the internet

without visiting bookstores, consumers are more willing to participate in the competition process. Also, for the authors, it can be a chance to show their work to consumers without taking the risk of paying for the publication of books. Reflecting this change in consumers' taste, government can also support contests to be held on the internet.

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