The Application of Mass Personalized Customization in China’s Private Publication and Distribution

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Introduction

I. Research Purpose

Aiming at a variety of present maladies that seriously hamper the development of the book publishing industry, this paper proposes the theory of “mass personalized customization” and analyzes and discusses the model systematically. The summarization and explanation are made in various aspects including the background, the theoretical basis, the issues to be solved and the implementation steps of mass customization. Compared with the application of mass personalized customization in other industries and combined with the special nature of the publication and distribution industry (the long-term confrontation between the consignment sale mode and the purchase-market mode), the solutions of mass customization in publication and distribution industry are put forward. The purpose of the study is to solve the problems of customers’ needs in book distribution by means of personalization, to solve the problems of book production costs by means of mass production, to substitute the purchase-market mode for the traditional consignment sale mode in the publication and distribution industry, thus exploring effective solutions to problems including returned purchase, overstocked products and capital return.

II. What to Solve

As for implementing mass personalized customization, the key issue to be solved in the private publication and distribution industry is the problem of customers’ (hereinafter referred to as the dealer) wishes, namely, the problem that how to
convince customers to abandon the deep-rooted consignment sale mode and adopt the purchase-market mode and how to change the business model in the operation. Through the means of bettering meet customers’ needs, controlling the range of the risks reasonably, giving customers greater profit margins, etc., customers are able to prefer customized products.

III. Research Method

The data in this paper are collected by questionnaires. Taken over 600 dealers of Tongyuan Culture as the survey targets, the questionnaire mainly relates to measuring question items of all relevant variables and is divided into three parts-the willingness of long-term cooperation with suppliers, risks and profits, specifically including mutual commitments of customers and suppliers, the trust in suppliers, the judgment of the own development brought by the cooperation with suppliers, the ways of reducing the risks of customized products, enhancing the confidence in customized product, relatively substantial increase in dealers’ profit margins, sales incentives and other incentives. After the return of questionnaires, the data gathered are collected and sorted by means of qualitative analysis, thus the conclusion is come up.

Chapter One Present Situation of the International Publishing Industry

The sub-prime crisis begun in August 2007 whipped up a heavy world economic storm. Although several years have passed, the far-reaching impact of this economic turmoil on every corner of the world and all walks of life is increasingly remarkable. The particular economic environment has become the primary background of the development of the international publishing industry in recent years. The crisis has changed the main tone of the rapid expansion of production capacity and cross-media parallel development in the international publishing industry in recent years. On the other hand, the emerging technologies represented by the mobile Internet, the cloud computing, etc. are fast gaining popularity. The tide of digitalization has brought profound changes to all walks of life and the digital publishing has given the
traditional publishing industry a huge shock. Under the dual influence of the economic pressure and the technological revolution, new formats, new patterns and new momentums have emerged in the international publishing industry.

Just as Soros, the celebrity in investment industry, said, “(The economy) cannot return to the past. This adjustment will not be a normal economic cycle, but a fundamental regulation reform.” In other words, turbulence and remodeling have been the themes of the development of the international publishing industry in recent years, which is particularly obvious in the field of traditional paper book publishing. The concrete reflections are in the following:

I. Depressing Production in the Publishing Industry

Shocked by the financial crisis, with the exception of America and Japan whose publishing markets remained relatively stable production capacities, France, Germany and Korea reduced the numbers of their book publishing types respectively in 2008-2009 and Russia, whose publishing industry suffered a slight response lag to the financial crisis, reduced the number of publishing types in 2001 after the number of publishing types grew in 2008 and 2009.

It is noteworthy that children’s book market experienced increase instead of decrease, which reflected excellent pullulation and resistance to pressure. The reason was that the readers of children’s books were more suitable for traditional reading methods and the use of computers, reader units and other emerging media was limited. However, the growth of children’s book market could not retrieve the shrinking of the entire publishing industry.

II. Sales Decrease of Paper Reading Materials

The overall book sales status in different countries showed the decrease in value of sales and sales volume. In America, Britain and France, the value of sales had remained stagnant or in negative growth; the value of sales of Russia and Japan in 2009 decreased by 20% and 4.2% respectively; the value of sales of Germany decreased by 1.4% (to 9.6 billion euros) in 2011, 2.8% in the first half of 2012 and
3.9% year on year in 2013.

III. The Slowdown of the Trend of Mergers and Acquisitions of Publishing Magnates

Under the economic crisis, a lot of major groups tightened their belt, some companies inclined to sell also failed to find suitable buyers and major groups continued to open up the source and regulate the flow. In Germany, for example, in 2009, the number of corporate acquisitions and mergers in the German book industry decreased by about 20% compared to that in 2008, and most of the acquisitions occurred in the newspaper publishing field. In the professional publishing field, Reed Elsevier (US) and Wolters Kluwer (US) both eliminated their education publishing department in 2007 and focused on the professional publishing.

IV. The Close-down of the Physical Bookstores

In the first half of 2008, people were confidently looking forward to another bumper year for the publishing industry while the global publishers were caught unprepared by the sudden financial crisis in the second half. The British and American publishing industries which had been developed steadily suffered heavy losses. Firstly, two major U.S. chain bookstores--Barnes & Noble Group and Borders Group both faced declining performance and British chain supermarket giant Woolworths closed down. In 2009, two U.S. chain bookstores--Barnes & Noble Group and Borders Group both reported losses and the third-largest chain bookstore in Britain named Borders also announced bankruptcy. All major traditional booksellers exerted themselves to the utmost to tide over the crisis.

V. Difficult Times Being Experienced by Publishing Companies

With bared lips, the teeth feel cold. As physical bookstores facing end consumers suffered rapid deterioration, book dealers and publishing companies as the upstream industry chain ushered in a harsh winter of the publishing industry. Due to the long-held consignment sale mode in the publishing industry, a lot of maladies including returned purchase, inventory and capital return could not be solved even in
the times of growth and prosperity. In the current situation, this business mode is more unfavorable for publishing companies. Many companies are difficult to sustain and quietly disappeared from the market due to the vicious cycle caused by the inventory as a result of the returned purchase.

China’s publishing companies under the international background had not gone through the adaptation period of transforming from being run as a government organization to an enterprise and suffered another heavy loss brought by the overall decline in the industry. Even private publishing companies, who had many years’ market experience, were also shocked by the global downturn trend.

China’s publishing industry has already embarked on the path to ruin: The types of books become more, but the benefits of one type become lower, the update cycle of books becomes shorter and the returned purchase becomes more serious. Faced with these problems, many publishers adopt the measures of scaling up and increasing varieties of new books to maintain the existence, which seriously creates a breeding ground for mutual imitation, mutual plagiarism and mutual repetition. People’s interest in reading is seriously affected by the low-quality books, therefore inventory backlog occurs due to high volumes of returns, which makes the consignment sale business mode embark on an endless loop.

With the stopgap measures like changing the government publication system to the enterprise publication system instead of the implementation of the deep level reform in business mode, the decline of the publishing industry will be accelerated in confusion.

Chapter Two Making An Assumption
I. The Background

The theory is advanced in the context that the traditional publishing industry has been in trouble and the defects of the consignment sale business mode in the publishing industry have become increasingly prominent at present. Under the condition of industrial schism, the linear and independent production value chain is formed in the publishing industry and the consignment sale business mode with book publishing as the core is established. However, shocked by the industrial integration, the product mix, business forms and business modes of the traditional publishing industry have received great challenges, conflicts between the core logic of business mode and the industrial integration have emerged and the original profit model has revealed more and more limitations in the integration environment, thus a lot of fatal problems have been brought in the publishing industry.

a. The Issue of Returned Purchase

The long-standing practice of returning books by the dealers to the publishers is a chronic malady in the current operating mode of the publishing industry and has a certain generality worldwide. The consignment sale system of the book trading is the fundamental cause of this phenomenon. This approach is certainly able to inspire the enthusiasm of dealers, but it is of great harm:

Firstly, the bullwhip effect causes the magnification of demand. When the node enterprises in the supply chain make the production or the supply decisions only according to the demand information from its neighboring subordinate enterprises, the inauthenticity of the demand information will go upstream along the supply chain, resulting in the upward-magnifying phenomenon. The typical bullwhip effect exists in the publishing industry. Without the fund occupying pressure, dealers lose the motivation of predicting market demand; in order to cope with the possible peaks of demand, the common practice of dealers is to increase the number of orders; in order to ensure the supply, the publishers further increase the number to print and distribute on the basis of the number of dealers’ orders, which results in the oversupply of books
and quantities of inventory and returns.

Secondly, double marginalization leads to dealers’ unconcern about publishers’ interests. Since dealers and publishers belong to different nodes in the supply chain, the interests of them are inconsistent and asymmetrical. For dealers, they will sell the profitable products of any publisher and they don’t worry about the unsalable products of other publishers, because they can return the products and do not need to undertake any risk. Thus, while pursuing own profit maximization, dealers are likely to harm the interests of some publishers.

Thirdly, returned purchase will directly endanger the survival of publishers. For publishers, returned purchase means reduced income, increased production costs and losses, storehouse occupation, etc. arising from transportation processes and production dumping and even means operating losses in serious cases. Due to the current fast-changing hot spots of demand in the book market, the returned purchase increases from 20% and 30% to 50% and some new books printed and to be released become inventory. According to statistics, there have been tens of billions of books in stock all over the country. The vast majority of books returned by dealers cannot be used for secondary sales and can only treated as waste paper, the residual value of the returned books being almost zero. Many private publishing companies therefore cannot survive. The state-owned publishing houses can fairly support due to the state subsidies, but they dare not deal with quantities of inventory because of the problems related to losses of state assets and a huge waste is caused. Take a provincial children press for example. Its warehouse covering an area of ten thousand square meters is filled with useless inventory.

b. The Difficulty in Capital Return

The capital return issue has plagued the publishing industry for many years. The complete book deal is composed of the business flow, logistics, information flow and capital flow centering on products and services. In the consignment sale mode, dealers pay to the publishers after the sales, which made the publishers unable to keep the
business funded as a result of unsmooth capital return, appropriation for other purposes and deliberately delay by dealers. Seen from the industry, though the technologies become more mature and the levels of business flow, logistics, information flow are increasing, the problem of poor cash flow is not improved but become deteriorated. The lack of good faith is one reason, but the more critical inducement is the institutional flaw. At present, there are few publishers who do well in payment term and capital return. The operating situation of the entire industry is not optimistic.

c. The Issue of Homogeneous Competition

Homogeneity refers to the phenomenon of mutual imitation and gradual convergence of different brands of products in content, appearance and even marketing tools in the same industry. The market competition conduct formed on the basis of product homogeneity is called homogeneous competition. Homogenization of books is demonstrated by the convergence in the aspects of topic, style, content, manifestation and operating method of books. With the prosperity of China’s publishing industry, the homogeneous competition becomes increasingly serious, and following the trend of publishing books and mutual imitation have become normal in the industrial competition.

II. Assumption

In order to solve the above issues of returned purchase, capital return and homogeneous competition, we propose a theoretical assumption of “mass personalized book customization”.

Mass personalized book customization is defined as a production method that publishing companies supply customized book products with low cost, high quality and high efficiency in mass book production in accordance with customers’ personalized book customization demands. The above-mentioned customers refer to channel dealers.

The concept of mass personalized book customization compromises and absorbs
the concepts of book customization, publishing on demand, mass customization, etc., and combines with the development situation and resource situation of actual market of traditional publishing companies. Mass personalized book customization is a unique new business mode.

The implementation of mass personalized book customization is based on large-scale enterprises with rich dealer resources and considerable product sales. Changing the traditional consignment sale mode into the purchase-market mode (a way to shift down risks) in the publishing industry is the premise of carrying out mass personalized book customization. Dealers customize books to publishers based on market sales conditions, publishers carry out the production in accordance with the order requirements, dealers make the payment according to payment terms, and returned purchase is not allowed.

Chapter Three Literature Studies

I. Literature Review

The theory of mass personalized book customization is a combination of theories including book customization, publishing on demand and mass customization and is developed on the basis of the innovative business mode carried out by Tongyuan Culture Company.

a. Customization of Books

The book customizing marketing means that readers are always at the center during book design and production and they are able to participate in the design, modification and production of the contents and the whole of books they need in
accordance with their own will. (Development Status of And Existing Problems in America’s Non-traditional Book Publishing Industry)

The characteristics of book customizing marketing includes the following aspects such as greatly meeting readers’ personalized needs, reducing inventory backlog by producing according to sales and saving some of the cost by reducing marketing expenses and eliminating the intermediate links. (Feature Analysis of the Development of the International Publishing Industry in Recent Years)

There also exist limitations including segmenting markets on the basis of the individual consumer, relatively high production cost, being widely used in niche market, individual publishing market or other high-end markets, the pursuit of premium profits, weak economies of scale, unsuitable for mass publishing. (How do Professional Publishers Utilize Customizing Relationship Marketing)

b. Publishing on Demand

In fact, publishing on demand is a kind of service. On the basis of the needs of authors and readers, publishing on demand is a kind of publication and distribution of books by adopting advanced data processing systems, digital printing systems and network systems (The Overview of Publishing on Demand-A New Form Developed in the Publishing Industry). It, known as “Green Publishing”, breaks through the impression limitation in the traditional publishing mode, re-combines the compilation, printing and distribution links in the publishing processes, and achieves zero inventory in the book publishing industry. (Status Analysis of Publishing on Demand)

Publishing on demand mostly aims at special needs including highly professional books, past and out-of-print publications, etc. The printing volume is low and the cost is relatively high. Moreover, publishing companies need to invest in the introduction of digital printing equipment. Currently, due to the limited technical means, there is a big gap between the quality of digital printing and that of the traditional printing. (The Digital Age: A New Path of the Development of International Publishing)

c. Mass Customization
(1) What is the mass customization

In 1970, Alvin Toffler, an American futurist, put forward the idea of a new mode of production in the book named Future Shock: provide customers with personalized products and services with the cost and time similar to standardization and mass production. In 1987, Start Davis first defined this kind of production mode as “Mass Customization (MC)” in the book named Future Perfect. In 1993, B·Joseph Pine II wrote in the book named Mass Customization: The New Frontier in Business Competition: “the core of mass customization is the diversity of product types and sharp increase of customization requirement without increasing cost, and the scope is the large scale production of personalized customization products and services and the largest advantage is providing strategic advantage and economic values.”

Professor Qi Guo-Ning, a Chinese scholar, believes that mass customization, integrating enterprise, customer, supplier, employee and the environment into an organic whole and guided by system thinking, makes full use of the existing enterprise resources with the view of overall optimization and is a production method that publishing companies supply customized products and services with low cost, high quality and high efficiency in mass production in accordance with customers’ personalized book customization demands and supported by standard technologies, modern design methods, information technologies and advanced manufacturing technologies. The basic idea of MC is based on the similarity and generality of parts and product structures of the product family and to reduce the internal diversity of products by adopting the methods of standardization and modularization. By the increase of customers’ appreciable external diversity and transformation or partially transformation of customization production of products into mass production of parts through the recombination of products and processes, enterprises are able to quickly provide customers with low-cost and high-quality customized products.

The production mode of mass customization contains the essence of a lot of management theories including time-based competition, lean production and
micro-sales. Its approach is supported by many technology platforms including modern production, management, organization, information and marketing, thus has advantages over the conventional mode of production and can more adapt to the competition of the network economy and the international economic and technological integration. (*Mass Customization by Pyne*)

The core of mass customization is to provide ordinary customers with products or services that can meet their customization needs at an acceptable price in accordance with social demand characteristics diffused from individual customer needs (or customization needs). (*Management Research of Production Mode of Mass Customization*)

(2) The Generation of Mass Customization

The generation of the concept of mass customization is driven by three factors including changes of the technological revolution and the mode of production, changes of the market environment, and the development of information technology and advanced manufacturing technology.

In the 1760s, the emergence of steam engines in Britain brought about the changes from handicraft workshop to factory production in the history of mankind. In the 1820s, the application of electricity, electric motors and internal combustion engines achieved mechanization production. In the early 20th century, Henry Ford and Sloan created the mode of mass production. After the World War II, with the rapid development of advanced technologies especially electronic technologies, the production in the manufacturing industry gradually grew toward the direction of automated and mass production. Then, humans basically got rid of the long-standing condition of short supply in material production. After the mid-20th century, with the increasingly acceleration of advanced manufacturing technologies, computer technologies and network technologies, the productivity became unprecedentedly powerful.
The development of technologies promotes the changes in the market from seller’s market to buyer’s market. People’s demand for material products changes from passive acceptance to active selection. There are a large variety of commodities in the market for consumers to choose and commercial types including department stores and supermarkets rise in response to the proper time and conditions. However, so far, commodity production processes are dominated by sellers. Through sellers’ judgment, they design and manufacture various types of products that meet customers’ demand for customers to choose. *(Marketing by Kerin et al.)*

With further intensified market competition, the diversification and personalization of customers’ needs become increasingly prominent, the mode that companies dominant product design is unable to cover all customers’ requirements and customers put more emphasis on the satisfaction of self-experience and personalization. In this context, some merchants begin to develop personalized customizing services. However, since personalized customizing services cannot depart from cost problems, they are bound to be geared to high-end consumer groups and are unable to suit mass promotion. In the new market environment, enterprises urgently need a new mode of production that can not only meet customers’ demand, but also significantly reduce production costs to provide cost-effective products. Mass customization (MC) thus arises. *(Mass Customization Production: The New Choice in the Manufacturing Industry)*

**(3) The Application of Mass Customization**

Mass customization (MC) is a mass production mode of personalized and customized products and services. Under conditions of mass customization, in accordance with differences between customers’ demand and standard products, there are four strategies to meet customers’ demand including Research to Order (RTO), Engineer to Order (ETO), Manufacture to Order (MTO) and Assemble to Order (ATO). The application of mass customization in the industrial production, garment manufacturing, automobile manufacturing and computer industry is relatively
II. Literature Analysis

Researches on book customization and publishing on demand are positive exploration of getting rid of predicament existing in the current international publishing industry. The common points are in the following. Firstly, the new business increasing point with meeting customers’ needs as the goal is put forward. These two business modes are opposite to traditional publishing modes by eliminating traditional printing equipment and relying on changes in digital technologies and printing equipments. The new modes can be deemed as the extension and supplement of traditional publishing business and the fundamental way to break the traditional publication and distribution modes is not proposed. Secondly, the two modes both aims at niche needs, face narrower readers, have small scale of production and possess cost bottleneck, which will inevitably result in higher product pricing of books, lower cost performance and limited feasibility of marketing. The two modes are now in the theoretical discussion stage.

There is no application of mass customization in the publishing industry and studies in this area are also few. The main reason is that the characteristics of the publishing industry are different from those of the manufacturing industry. The long-standing consignment sale mode is widely used all over the world, and the practice of returned purchase arising from slow moving of products and difficulties in capital return are contrary to the requirements of manufacture to order and no refunds in the mass customization.

Inspired by the above-mentioned theories and years of market practice in the private publishing industry, we recognize that the customer demand-oriented publishing era has arrived and publishing companies must conduct thorough ideology reform and business mode reform to adapt to the new market situation. However, from wide view of the new modes of book customization and publishing on demand emerging in recent years, limitations including fewer readers, less printing numbers
and high cost are obvious and the new modes are not suitable for mass book printing. Thus, on the basis of full studies on mass customization in other industries, we propose the mass personalized customization mode in the book publishing industry and solve the feasibility issues existing in the mass personalized customization mode by adopting a key move of changing the consignment sale mode into purchase-market mode, making the mode possess the conditions of being brought to the market.

III. Operating Steps

The application of mass customization in the publishing industry is different from that in other industries. The realization of mass customization in other industries only needs to solve the problem of cost. Due to the long-standing business development mode in the publication and distribution industry, dealers are accustomed to selling on credit in the publishing industry chain and are not willing to assume market risks by themselves. Thus, there are two problems to be solved to implement mass personalized book customization: One is customers’ wishes and the other is the cost. The problem of cost, having something in common with that in other industries, can be solved by the scale of order and production and will be elaborated in other papers in the future. This paper focuses on the way of settling customers’ wishes and making them willing to accept the purchase mode of mass personalized customization.

Improving customers’ willingness of long-term cooperation, reducing customers’ risks and profit induction are effective strategies to settle customers’ purchase-market wishes.

a. Improving Customers’ Willingness of Long-Term Cooperation

With today’s highly developed science and technologies especially information technologies, fundamental changes in companies’ business environment have occurred. The recognition of mutual commitments by customers, the trust in publishers’ capabilities, and the satisfaction with publishers’ products and services are critical to determine the dealers’ dependence on publishers and the premise of and
foundation for customers’ acceptance of purchase-market mode.

**b. Decrease of Customers’ Risks**

(1) Better meet customers’ needs. Accurate access to customer’s demands information is a prerequisite to meet customers’ needs. Since customized products and services provided by mass customization enterprises should meet every customer’s personalized need, the ability to obtain accurate customers’ needs becomes more important in enterprises who implement mass customization. Mass customization enterprises improve their abilities to obtain accurate customers’ needs through e-commerce, customer relationship management and the implementation of the effective integration of one-to-one marketing. Mass customization enterprises should have the abilities to obtain customers’ personalized needs systematically, comprehensively, and accurately, allow customers’ customization information to be shared in all departments and arrange design and production on the basis of the customization information to provide customers with satisfactory customized products. The customized products improve market competitiveness and can perform better than non-customized products in the market, thus the sale risks are reduced.

(2) Improve after-sales service system. Pay more attention to problems encountered by dealers and help them reduce the risk of slow moving with measures including positive brand awareness and product promotion, making most of publishers’ advantages and developing customers with dealers, using own channel resources to transfer products for dealers, etc. Compared to the low risks and low profits of consignment sale and return mode, purchase-market mode without returning is a high-risk and high-profit business mode. The high risks are dealers’ common concern. If publishers can do everything they can to alleviate dealers’ worries, dealers’ purchase-market wishes will be enhanced.

Among all after-sales services, helping dealers handle dead storage is a top priority. If this problem is handled well, dealers’ risk expectations will be minimized. We propose a product transfer method to replace the previous return method and take
Tongyuan Company (a private publishing company) as an example to develop the product transfer process. The product transfer is based on Tongyuan’s powerful sales network throughout the country. When one kind of products owned by Dealer A are unsalable, Dealer A can report to Tongyuan Company. Tongyuan Company will coordinate with other dealers in the country and if there is Dealer B who needs the above-mentioned products, Dealer B can transfer products with Dealer A via Tongyuan Company. The specific procedures are as follows:

\[\text{Diagram showing the process of product transfer}\]

inventory so that dealers will accept customization with a more positive mentality.

c. Profit Induction

It means that publishers can motivate dealers to choose customized products in the purchase-market mode through the higher margins than the consignment sale mode. For example, for the same products, if dealers choose the consignment sale mode, they can obtain 60% percent discount while if they choose the customized products, they can obtain 65% or more discount. The price differences of discounts
are profit increasing points for dealers. Stimulated by higher profits, some powerful and confident dealers will be willing to try higher profits. Once their behaviors bring greater benefits successfully, other medium and small dealers will follow, thus the promotion of mass customization is stimulated.

Chapter Four Questionnaire and Data Analysis

This paper collects feedback data of mass personalized customization from dealers by the empirical research on dealers of Tongyuan Culture Company (a private publication and distribution unit) through questionnaire method. The questionnaire is distributed to these dealers by e-mail or fax. Researchers contact with these dealers via telephone, telling them the purpose of the research, hoping dealers’ cooperation, confirming the receipt of the questionnaire and requiring all personnel or senior management of dealers’ companies to complete the questionnaire. 600 questionnaires are distributed and 475 valid questionnaires are returned.

I. Sample of the Questionnaire

The questionnaire mainly relates to measuring question items of all relevant variables and is divided into three parts including willingness of long-term cooperation, risk and profit. The first part specifically includes desire of long-term cooperation with suppliers, the trust in suppliers, the judgment of the development of suppliers, the judgment of the own development brought by the cooperation with suppliers, the dependence of dealers on suppliers, investment in the partnership as the dealer, the opinion of the goodwill, the degree of satisfaction with the service. Risk specifically includes dealers’ awareness of risks of customized products, the trend of payment term, dealers’ sales ability, expectation of and confidence in suppliers’ customized products, recognition of suppliers’ sales policies, etc. Profit specifically includes recognition of suppliers’ strength, the degree of satisfaction with the current price system, the
comparison of profits from customized products and non-customized products, the
comparison between slow-moving inventory and profit growth space, estimates of the
profits brought by customization, customization willingness of dealers’ salesmen, etc.

In the variable measurement in the first part, all questions come from the relevant
literature and previous interviews. In addition, in the interview, we discuss with
respondents about the expression approach and whether relevant variable measurement
questions in the literature are appropriate. Finally, we identify 9 questions used to
measure the variable of “mutual commitment with suppliers”, 9 questions used to
measure the variable of “the trust in supplier” and 7 questions used to measure the
variable of “dependence on suppliers’ value-added services”.

In the variable measurement in the second part, all questions come from summary
of experience in daily business communication with dealers as well as policy
orientation of mass personalized customization by suppliers. Finally, we identify 6
questions used to measure the variable of “overall awareness and acceptance of
customized products launched by suppliers”, 2 questions used to measure the variable
of “dealers’ sales capabilities”, 6 questions used to measure the variable of “dealers’
specific requirements for customized products” and 6 questions used to measure the
variable of “degree of recognition of measures taken by suppliers to reduce risks”.

In the variable measurement in the third part, all questions come from years of
suppliers’ market practice experience and are quantified to estimates of customization
and non-customization profit equilibrium point. Finally, we identify 6 questions used to
measure the variable of “degree of satisfaction with previous products and marketing
strategies of suppliers”, 5 questions used to measure the variable of “degree of dealers’
acceptance of discount for customized products”, 3 questions used to measure the
variable of “comparison between slow-moving inventory and profit growth”, 4
questions used to measure the variable of “dealers’ prospects for customized products”
and 2 questions used to measure the variable of “key factors that prompt dealers’
salesmen to choose customization”.

All question items of all variables measured in the questionnaire are based on
relevant literature theoretically and Tongyuan’s long-term market practice practically.
The characteristic of the questionnaire is that on the basis of the widespread use of selective issues, a lot of measuring questions are used. In other words, the answers are quantified, especially in aspects of estimates of inventory, discounts and profits. The collection of quantitative data is conducive to better guide actual practices.

II. Data Analysis

We use overall analysis and cross-over analysis (SPSS statistical analysis) methods to conduct data statistics of the 475 valid questionnaires and complete qualitative analysis of questionnaires. This paper will not describe the statistical process in detail and will focus on analysis conclusions.

a. Willingness of Long-term Cooperation

The results show that there are three elements that affect dealers’ willingness of long-term cooperation: mutual commitment to the partnership; dealers’ trust in publishers’ overall strength including position in the industry, creativity and market performance; services provided by publishers for dealers.

As to mutual commitments, dealers focus on whether suppliers’ policies and treatment are fair and reasonable, whether the delivery time is prompt, quality assurance and whether customer market protection measures are in place. If suppliers can better meet the needs of dealers in the above aspects, dealers will be willing to promise to increase resources for market development, make the payment in a timely manner and maintain the stability of the price system, etc.

In addition, dealers pay more attention to the effects on their own development brought by the cooperation with Tongyuan, i.e., the benefits brought by Tongyuan’s value-added services including developing new customers and promotions. As to services, the higher dealers’ expectations are, the more likely it will be for dealers to become strategic partners with Tongyuan.

b. Risk

As to the risk section in the questionnaire, we strive to make clear dealers’ recognition of risks of mass personalized customization, how dealers can reduce the
risks of customized products and what measures taken by suppliers can effectively reduce the risks of dealers.

According to statistical results, dealers generally agree the following approaches which can effectively reduce the risks of customization and resolve dealers’ worries about customization: ① designing books according to topics provided by customers; ② determining the appropriate number of books in a set according to book categories; ③ customizing homogeneous products which have good market performance and own unique advantages; ④ customizing upgrade versions of products which have had good market performance before; ⑤ customizing bestsellers that customers have confidence in (such as books synchronizing with hot animated series); ⑥ market protection measures of exclusive supply for customization customers. The satisfaction of these requirements may have a positive impact on dealers’ willingness to customize.

c. Profit

As to the profit section in the questionnaire, through detailed quantification, we enable customers to fully understand bigger profit margins of customized products than those of non-customized products and the relationship between profit growth and slow-moving inventory.

Results show that: ① nearly 80% of dealers prefer customization than non-customization when the discount rate of customization is 5% higher; ② 5% higher of the discount is the equilibrium point of supply price of customization and non-customization, so suppliers needn’t adopt more favorable discount to attract most customers to try customization; ③ when the orderer is a salesman instead of the owner, he will not consider higher profit induction in order not to bear the risk of slow-moving, so sales incentives and other policies are needed to stimulate salesmen’s willingness to customize.

As to the reason why 5% discount rate is the equilibrium point of supply price of customization and non-customization, we can refer to the following calculation
Take the purchase volume of 1 million returned capital as an example. Non-customized products usually enjoy a discount rate of 60%. When customized products enjoy a discount rate of 65%, with the same amount of money, customers can increase the purchase volume with the total price of 0.35 million (100 ÷ 0.35 - 100 ÷ 0.4 = 285 - 250 = 35 Unit: ten thousand) and 0.12 million profit can be increased on the basis of the cost price (35 × 0.35 = 12 Unit: ten thousand). If the volume with the total price of 0.35 million (discounted price of 0.12 million) is equivalent to 500 pieces of standard packages, in average, the total price of 700 yuan means one package (35 ÷ 500 = 0.07 Unit: ten thousand); i.e., the discounted price of 245 yuan means one package (0.07 × 0.35 = 0.0245 Unit: ten thousand).

According to the results of the 13th question in the third part of the questionnaire, we can arrive at the following conclusion: for 75% of the customers, the inventory caused by customized books with the total price of 1 million is within 200 standard pieces. If calculated on the basis of the upper limit 200 pieces of inventory, the total price will be 0.049 million (200 × 0.0245 = 4.9 Unit: ten thousand). Even though the inventory is useless and cannot generate any profit, the profit will be 0.071 million more than that of non-customization (12 - 4.9 = 7.1 Unit: ten thousand). In fact, as shown by the results of the 14th question in the third part of the questionnaire, 62% customers choose to halve the price of the unsalable inventory on the basis of the purchase price. As a result, customers will be able to earn 0.0955 million profit compared to non-customization (12 - 4.9 × 0.5 = 9.55 Unit: ten thousand).

In practical operation, the unsalable inventory of the majority of customers will not reach the upper limit of 200, and the retail price can go up on the basis of the discounted price, so profit margins will be greater.

In summary, when the discount rate of customization is 5% higher than that of non-customization, dealers are be able to obtain higher profits than non-customization and dealers can be stimulated to actively choose customized products. The reasons
why several dealers are unwilling to choose customized products largely lie in limited funding and uncertainty of their own sales and are not necessarily linked to the discount rate.

**Conclusion**

After the rapid development of the traditional publishing industry in the beginning of this century, due to the impact of the economic crisis and digital publishing, the traditional publishing industry is in trouble. Book design and production are divorced from market demand and a large number of returns lead to the survival difficulties of the publishing enterprises. Based on the empirical research on 600 dealers of Tongyuan Culture Company (a private publication and distribution unit), this paper demonstrates the feasibility of the application of mass personalized customization in Chinese private publication and distribution enterprises and provides a practical way to solve the universal problems existing in China’s publishing industry.

The biggest marks of this research project are profundity and practicability. In the previous related researches discussing maladies in the publishing industry, most researches put forward suggestions from the fields of book product planning, marketing tool and service improvement and aim at reducing returns and inventory, which don’t solve the problem of returns fundamentally. The theory of “mass personalized customization” proposed in this paper, starts from the business mode in the publishing industry and studies on how to change the long-standing “consignment sale mode” in the traditional publishing industry to the “purchase-market mode” on a theoretical basis to thoroughly solve the problems of returned purchase, capital return and inventory. Mass personalized customization truly achieves “zero debt” and “zero return” in the publication and distribution processes and is a fundamental change in
the field of publishing. In the data research level, this study, based on the operation practices of Tongyuan Culture Company, carries out detailed and quantitative market research on risk and profit (key points of promotion of mass personalized customization). The conclusion is as follows: On the basis of effective risk control by suppliers and dealers, 5% higher of dealers’ purchase discount rate compared to non-customization (consignment sale) can prompt most dealers to choose customized products. This conclusion can be directly applied in business practice and has played a role in the practical market operation of Tongyuan Company. Being of universal significance in the aspect of marketing and promotion, this conclusion is very practical.

Limited by the length, this paper does not discuss cost control of mass customization (the way of using large scale to solve the high cost of customized products). As to the research on this regard, we will demonstrate in another paper.
References


Appendix:

Customer Survey of Mass Personalized Book Customization

1. Willingness to Long-term Cooperation

1. The cooperation between Tongyuan and you is transparent, sincere and trustworthy.
   - □ Disagree  □ Undecided  □ Agree  □ Strongly Agree

2. On the whole, Tongyuan is responsible to dealers.
   - □ Disagree  □ Undecided  □ Agree  □ Strongly Agree

3. It is fair and reasonable in handling and treating various dealers by Tongyuan.
   - □ Disagree  □ Undecided  □ Agree  □ Strongly Agree

4. Tongyuan is willing to make allowance for dealers and is able to pay attention to and positively solve your difficulties and needs.
   - □ Disagree  □ Undecided  □ Agree  □ Strongly Agree

5. What are the factors that may affect your cooperation with Tongyuan (multiple choice):
   - □ Consistency of market forecasts  □ Uniformity of policies made by Tongyuan toward various dealers
   - □ Commitment and after-sales service  □ Supply discounts

6. What are your expectations of products published and distributed by Tongyuan in the future (multiple choice):
   - □ Enriching product categories
   - □ Accelerating the speed of the introduction of new products
   - □ Further reducing costs
   - □ Improving product quality

7. On the basis of achieving a win-win cooperation, you have the ability to make the payment to Tongyuan Company in a timely manner.
   - □ Disagree  □ Undecided  □ Agree  □ Strongly Agree

8. You are willing to invest more manpower and resources in your cooperation with Tongyuan.
   - □ Disagree  □ Undecided  □ Agree  □ Strongly Agree

9. Maintaining supplier’s price system is an important responsibility of our dealers.
10. Do you know the relevant qualifications owned by Tongyuan Culture Company (multiple choice)?
   □ National cultural industry demonstration base
   □ National-level animation enterprise
   □ On-line publishing unit
   □ Radio and television program production and business operation license

11. Do you know the honors won by Tongyuan Culture and Xiaobenxiong Brand (multiple choice)?
   □ Provincial advanced publisher
   □ Top customer satisfaction brand in Chinese multimedia cultural and creative industry
   □ Famous trademark in Heilongjiang Province
   □ Most preferred brand of children’s books

12. What is your evaluation of the image of Xiaobenxiong Brand:
    □ Unknown   □ Fair   □ Famous   □ Very famous

13. What is your evaluation of the products’ price ratio?
    □ In line with the market demand
    □ In line with the market demand but products being of fair quality
    □ Not in line with the market demand
    □ Basically the same with other products or small differences existing

14. Seen from the business situation, how much are you dependent on Tongyuan’s products:
    □ Strongly   □ Fairly   □ Little   □ Totally independent

15. In the past cooperations, Tongyuan’s products brought you very high profits.
    □ Disagree   □ Undecided   □ Agree   □ Strongly Agree

16. I agree on Tongyuan’s market planning and believe that the market share of Tongyuan’s products will have a high growth rate and Xiaobenxiong Brand will have a better market prospect.
    □ Disagree   □ Undecided   □ Agree   □ Strongly Agree

17. When prices and qualities of Tongyuan’s products are almost the same with other competitors, on what do you choose partners (multiple choice):
    □ Brand recognition   □ Promotion policy   □ Personal consideration   □ Payment
18. If Tongyuan and other competitors are comparable in terms of product design, product quality, market positioning, etc., what factors can prompt you to select Tongyuan (multiple choice):

□ High brand awareness
□ Good anticipation for suppliers’ prospects
□ Integrity of the company
□ More favorable discounts

19. What is your overall evaluation of the degree of Tongyuan’s products meeting your needs:

□ Dissatisfied □ Basically Satisfied □ Satisfied □ Very satisfied

20. Thanks to the cooperation with Tongyuan, our management capabilities are greatly improved.

□ Disagree □ Undecided □ Agree □ Strongly Agree

21. With the help of Tongyuan, we will establish a great team to communicate with customers directly.

□ Disagree □ Undecided □ Agree □ Strongly Agree

22. With the help of Tongyuan, our management methods including the relationship with customers will be greatly improved.

□ Disagree □ Undecided □ Agree □ Strongly Agree

23. In some marketing areas such as advertising and promotion, we rely on Tongyuan’s help.

□ Disagree □ Undecided □ Agree □ Strongly Agree

24. We rely on Tongyuan to lead us to develop new customers and fields.

□ Disagree □ Undecided □ Agree □ Strongly Agree

25. Tongyuan’s business marketing ideas are vital to us.

□ Disagree □ Undecided □ Agree □ Strongly Agree

II. Risk

1. Do you know policies on Tongyuan’s customized products?

□ Know very well □ Know □ Partially Know □ Know nothing

2. What benefits can the new operating mode of mass personalized book customization bring for dealers (multiple choice):

□ Lower sales risks
□ Greater profit margins
The convenience of independently dealing with the inventory
Customized according to the needs and large competitive advantages

3. What risks can the new operating mode of mass personalized book customization bring for dealers (multiple choice):
   - Risk of slow moving
   - Risk of similar product competitiveness
   - Risk of capital occupation
   - Risk of supply shortage

4. Have you already cooperated with Tongyuan in customization? What is the effect?
   - The cooperation in customization was just carried out and the effect now is not obvious.
   - The cooperation in customization has been carried out for some time and the effect is good.
   - The cooperation in customization was carried out and the effect was not satisfactory.
   - None

5. What do you think is Tongyuan’s best product distribution policy?
   - Customization with high profits and risks
   - Normal discount plus rebate
   - The combination of customized products with the normally delivered products and free selection
   - Other policies

6. What kind of sales policies are you willing to accept?
   - Cash purchase and more favorable discounts
   - Reset of normal 3-month payment interval
   - Deliver discount up 2% with every extended month of payment interval
   - Initial capital and settlement of the excess amount in the current month

7. What aspect do you think is the pressure of customizing Tongyuan’s products mainly from?
   - Sell well, but supply shortage is frequent
   - Sell well, but the product line is not long enough
   - Sell well, but the product line is too long
   - Most products are unsalable and few products are salable

8. According to your actual situation, the most appropriate minimum order quantity of each book
from Tongyuan is:

- □ <200
- □ 200-800
- □ 800-1500
- □ >1500

9. You believe that the market area radiated by the number of newspapers ordered by you includes:

- □ Current city center
- □ Current city center and surrounding areas
- □ Current province
- □ Whole country

10. You believe that the most suitable quantity of one set of Tongyuan’s customized new products is:

- □ 6
- □ 8-10
- □ 12-16
- □ >16

11. On the basis of your experience, how many books is best to form a set of children’s science book series:

- □ <8
- □ 8-12
- □ 12-20
- □ 20-50

12. On the basis of your experience, how many books is best to form a set of classic outside reading book series:

- □ 8-12
- □ 12-20
- □ 20-40
- □ >40

13. On the basis of your experience, how many books is best to form a set of children fairy tale and children story book series:

- □ <8
- □ 8-12
- □ 12-20
- □ 20-50

14. On the basis of your experience, how many books is best to form a set of children’s distinctive teaching material:

- □ <6
- □ 6-10
- □ 10-15
- □ >15

15. What product customized from Tongyuan will have the least risk (multiple choice):

- □ Salable second editions
- □ Homogeneous competitive products of best-selling books in the market
- □ New editions in constant demand with high list price and low discount
- □ New editions in constant demand with low list price and high discount

16. If you accept customized products, what measures can Tongyuan take to help you minimize risks from customers’ point of view (multiple choice):
5% lower of the cost than that of other products

- Exclusive supply
- Actively assist dealers to transfer products
- Assured supply of customized products

17. You agree on and are willing to accept the way of substituting product transfer for unsalable returns proposed by Tongyuan.

- Disagree
- Undecided
- Agree
- Strongly Agree

18. Based on mutual win-win goal, you are willing to submit your sales data to Tongyuan company so that Tongyuan is able to collect information, analyze products and markets and thereby design and produce more profitable products.

- Disagree
- Undecided
- Agree
- Strongly Agree

19. If you temporarily do not accept Tongyuan’s customized products, the main reason may be (multiple-choice):

- Limitation of fund affordability
- Uncertain about the sales volume
- Impact of the industry practices
- Satisfaction with current profits

20. If you are ready to carry out cooperation in book customization with Tongyuan, your focus will be on (multiple-choice):

- Greater profits
- Less risks
- Dependence on Tongyuan’s products
- Trust in Tongyuan’s market judgment

### III. Profit

1. The quality of Tongyuan’s products is:

- Excellent
- Fair
- Bad
- Very bad

2. The effectiveness of delivery of Tongyuan’s seasonal products is:

- Strong
- Fair
- Bad
- Very bad

3. The continuity and production cycle of Tongyuan’s products are:

- Excellent
- Fair
- Bad
- Very bad
4. The fill rate of Tongyuan’s products’ meeting your company’s demand is:
   □ <30%  □ 30-50%  □ 50-70%  □ >70%

5. Are you satisfied with Tongyuan’s current practices in the aspect of market protection?
   □ Dissatisfied □ Basically satisfied □ Satisfied □ Very satisfied

6. Are you satisfied with the price of Tongyuan’s customized products?
   □ Very dissatisfied □ Basically satisfied □ Satisfied □ Very satisfied

7. You are willing to customize Tongyuan’s products if Tongyuan’s product differs by percent from its competitors:
   □ 2%  □ 3%  □ 5%  □ > 5%

8. You are willing to customize new products if customized product differs by ___ percent from non-customized product:
   □ 2%  □ 3%  □ 5%  □ > 5%

9. If you are ready to order a market-proven and salable book, what purchase method in the following will you choose:
   □ Relatively low price and 55% discount with return
   □ Relatively low price and 60% discount without return
   □ Relatively high price and 65% discount with return
   □ Relatively high price and 70% discount without return

10. According to the profit calculated on the basis of one-year operating cycle, will customization bring you more profits than non-customization?
    □ Higher profits  □ Lower profits  □ Similar profits  □ Don’t know

11. Although customization may cause slow-moving inventory, the overall profit is higher; Although non-customization supports returned purchase, the overall profit is lower. You prefer the customization mode.
    □ Disagree  □ Undecided  □ Agree  □ Strongly Agree

12. Take the purchase volume of 1 million returned capital (the total price of 2.85 million) as an example. If 5% decrease of the total price means 12% decrease of the discounted price (lower than 65% discount), 1 million can increase 0.12 million profit, equivalent to books with the total price of 0.35 million. What do you think is your actual inventory volume (discounted price):
    □ <50,000  □ 50,000-150,000  □ 150,000-300,000  □ >300,000
13. Books with the discounted price of 0.12 million are equivalent to 500 pieces of standard packages. If you customize books with the discounted price of 1 million (the total price of 2.85 million), the slow-moving inventory is expected to be __ in the sales process.

- <100 PCS
- 100-200 PCS
- 200-300PCS
- 300-500PCS

14. Your slow-moving inventory will be handled on the basis of the ____ discount:

- Normal wholesale price
- Half of the purchase price
- De-stocking price
- Not for sale

15. You believe you will make money when cooperating with Tongyuan in mass personalized book customization.

- Disagree
- Undecided
- Agree
- Strongly Agree

16. Customized books can be produced according to topics provided by customers, can best meet personalized needs and increase customers’ profits.

- Disagree
- Undecided
- Agree
- Strongly Agree

17. The product line of Tongyuan is long, the products are of various kinds and the new product development speed is fast. If establishing customization partnership, Tongyuan will become your biggest supplier to meet needs of most types and shares of books in the store and reduce the cost wasted by a number of purchases.

- Disagree
- Undecided
- Agree
- Strongly Agree

18. Are your satisfied with the profits brought by Tongyuan’s customized products?

- Very satisfied
- Basically satisfied
- Undecided
- Dissatisfied

19. If you are a salesman of the dealer, you believe that you assume a greater risk when choosing customized products.

- Disagree
- Undecided
- Agree
- Strongly Agree

20. If you are a salesman of the dealer, what factors will prompt you to select customized products in addition to product discounts (multiple choice)?

- Risk minimization
- Incentives
- Product fill rate
- Exclusive supply within the region