Publishing and Innovation: Disruption in the Chinese E-book Industry

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Is digital publishing leading to a paradigm shift or only replicating the print publishing systems in digital garb? This appears to be a key concern of the Chinese publishing industry in the internet age. In the age of e-books, dynamics such as self-publishing, digital distribution, and the internet economy have the potential to challenge the established business models, regulations, and publishing culture through disruptive innovation ranging from disintermediating and reintermediating publishing communication, to empowering authors and readers in connected and distributed ways, and monetising content resources in new channels. While digital publishing has tremendous disruptive potential, there is still uncertainty about the transformation and evolution of publishing in China, as it is deeply influenced by the special Chinese contexts. Just some of the characteristics include: strong government control, the monopoly of state-owned publishers, the prevalence of print reading habits, and a traditional book culture as opposed to the open, connected, and distributed internet culture.

In this chapter, I will review disruptive innovation in the e-book industry and the cultural impact of the e-book in both the production and consumption sides of publishing in China. I will explore the complex interplay between disruptive innovation and contextual factors through examining three case studies in the e-book field: Qidian (*Qidian Zhongwen wang* 起点中文网), the literary self-publishing site; China Mobile Reading Base (*Zhongguo yidong yuedu jidi* 中国移动阅读基地), the e-book distributor for mobile phone reading; and Duokan (*Duokan yuedu* 多看阅读), an e-book start-up powered by user-oriented and user-driven innovation. They are conducting e-book business differently from traditional publishers as well as many other e-book vendors. These disruptive initiatives could be viewed as a snapshot of the digital transformations occurring in the Chinese publishing system. Analysing their practices and challenges sheds light on our understanding of the complexity of digital innovation in China's publishing world.

Apart from the focus of the industry, I will also discuss the cultural impacts of industrial changes, particularly on the consumption of e-book content. Disruptive innovation has created new reading markets in China, and this has also changed the demographics of reading publics; for example, the rise of the *diaosi* 屌丝. One could identify the *diaosi* population with Chinese millennials, but *diaosi* is usually applied particularly to young Chinese who have low levels of income, education, and/or literacy. These young people adopt the term *diaosi*, which refers to “self-aware and self-deprecating losers,” as a cultural identity, thus expressing their dissatisfaction over “getting left behind in capitalist China” and using the online public sphere to playfully protest against social inequality (FlorCruz 2014; Szablewicz 2014). Their activism and cultural resistance coexist with vulnerability to digital consumerism, cyber nationalism, and political propaganda. All of these elements influence e-book consumption and cultures. With an awareness of complexity and chaos in an “anarchic cultural marketplace” (McNair 2006, p. 1), this chapter focuses on the questions of to what extent, and in what aspects, has the growth of disruptive initiatives and emergent reading publics led to a digital publishing culture that is different from its print counterparts? I will then explore the enlightening role of disruptive e-book innovation in China’s digital and transitional society at large.

Background

Disruptive Innovation

Theories on disruptive innovation are widely used today in studying digital transformations. Harvard Business School Professor Clayton M. Christensen coined this concept, in contrast to sustaining innovation (Christensen 1997). Disruptive innovation refers to innovations that create new markets and value networks and eventually disrupt the existing system, displacing earlier models. Christensen uses the concept to explain why successful companies failed to adopt new technologies and business models and, therefore, lost ground to disruptive innovators. Despite its popularity as a theory of change, scholars and practitioners tend to question disruptive innovation for its simplification of the role of enterprises in digital transformation as either disrupting or being disrupted. It is sometimes

difficult to employ the concept of disruptive innovation when explaining disruptive changes in complex social and economic systems (Lepore 2014).

Book history studies normally embrace technological determinism when assessing the transformation of publishing, in light of the revolutionary role of printing technologies in the Gutenberg age and digital technologies today. Social readiness, cultural shifts, and economic and political imperatives appear to drive the critiques of technological determinism in explaining publishing transformations (Judge 2011). This debate echoes the concerns over applying disruptive innovation in complex systems.

Nevertheless, the concept of disruptive innovation is important to understand the changes in the Chinese publishing industry in the digital age. Disruptive innovation is also a useful lens to analyse the complex interplay between disruptive technologies and the Chinese publishing contexts. Therefore, the scope of disruptive technologies in this chapter goes beyond business or physical technologies, and includes social technologies too. Since the Cultural Revolution, significant changes and reforms have happened in the Chinese publishing industry, particularly marketisation, privatisation, and digitisation based on disruptive physical and social technologies. Disruption thus transcends competition between enterprises, relating rather to the evolutionary competition between the new and old systems, cultures, and paradigms.

The Chinese E-book Industry: A Digital “Special Zone”

China’s book publishing industry has been both rapidly evolving and growing since the beginning of the reform era (1979). New disruptive innovators, including the reformers within state-owned publishers, private publishers, and digital initiatives, have been continuously creating and exploring new markets through new types of content and radical business innovations. These innovations are challenging and disrupting the established models, administration, power structure, and publishing culture. When these new models are widely employed and emergent practices become mainstream, the Chinese publishing system at large evolves.

In the print age, private publishers were a major driver of disruptive innovation. The government and state-owned publishers dubbed them “the second channel” in the 1980s and 1990s, which defined them not only as solely a book distribution channel rather than a publishing or editing entity, but also one that is supplementary to the state-owned counterpart. For private publishers, doing business in such a heavily regulated industry and competing with dominant state-owned publishers was like “swimming with hands and feet tied.” However, private publishers are developing and growing rapidly due to their more flexible and market-driven operations and because they are offering entertaining and practical content to a mass readership. The business of private publishers has gradually expanded into the publishing and editing fields since the 1990s. The disruptive innovation led by private publishers has changed the old book publishing business, which was based on academic and professional publication, “pure” (i.e. “high-brow”) literature, propaganda, and textbooks, and created a vast consumer market for book publishing in China. Today, the private sector dominates mass-market trade publishing as a result of market-oriented disruptive innovation.

Digital publishing, particularly e-books, delivers the next generation of disruptive technologies in China’s book publishing industry, based on new communicative and commercial models and the rising digital reading market. Digital reading is booming, especially in the mobile internet age. The total revenues generated from digital content business including e-books, e-magazines, and e-newspapers in 2017 was RMB 8.27 billion—roughly USD\$1.2 billion (Wei 2018). Kozlowski and Greenfield (2016) estimate that the Chinese e-book market is two-thirds the size of the US market, which remains the world’s largest. There are significant opportunities for electronic publishers to grow their business in emergent markets in China, which also enables digital disruptors to affect traditional book publishing.

Further, digital publishing and e-book businesses enjoy a regulatory “special zone.” China still maintains very tight governmental control and censorship over book publishing and this is extending from print to digital. For example, the Chinese government issues licences for e-book businesses and launches campaigns like “Cleaning the Internet” to regulate internet content, including e-books (Zorabedian 2015). However, the Chinese government is also ambitious in establishing leadership in digital innovations and specifically building a sustainable publishing system through marketisation and digitisation together (Liu

2008). As a result, the government allows a certain level of deregulation in digital publishing, which gives rise to a practical special zone for disruptive innovation. Moreover, government regulation and censorship usually lag behind technological developments and digital innovations in the internet age. This further enhances the advantages of digital disruptors over traditional publishing in terms of regulations and censorship.

Despite the opportunities and advantages, the Chinese e-book industry offers both uncertainty and challenges, particularly the lack of high-quality content, the generally low willingness and purchase power of readers, and rampant copyright infringement. As traditional publishers, including private ones who own most of the book content copyrights, hold conservative attitudes towards e-book business, they are reluctant to license the latest and most bestselling content to e-book vendors. This reduces the overall attraction of e-books to readers. Despite a vast digital reading population, Chinese readers spent on average only USD 4.30 on e-books, while this figure was USD\$46 in the United States, USD\$84.40 in the UK and USD\$86.50 in Japan (Rosoff 2015). An important reason for Chinese people's low spending on e-books is digital piracy and copyright infringement. The estimated number of pirated e-book websites in 2014 was fourteen thousand, when copyright infringement was perhaps most rampant in digital publishing, and these sites generated about eight to ten times more revenue than the copyrighted e-book business (Y. Yang 2014). These factors make the e-book business less attractive for traditional publishers than print publishing, where they can make higher and more stable profit margins while enjoying a monopolistic position.

While disruptive innovation has started in the emerging e-book market in China, it appears to have been too limited or too difficult for established publishers to experiment with. Startups and new entrants outside the traditional publishing domains have thus become leading players in the e-book industry. In order to deal with the challenges, they employ communicative and commercial models different from those that print publishers are familiar with, harnessing digital dynamics. With the growth in e-book markets, the disruptive innovators are able to threaten the business of print publishing. Traditional publishers today call these disruptors "the wolves at the door." In the following sections, I will introduce three case studies that represent different types of disruptive innovation in the production, distribution, and consumption of e-books.

Three Case Studies of Disruptive Innovation in the E-book Industry

Qidian and Self-Publishing

Self-publishing is a disruptive technology to publishers as intermediaries and gatekeepers, as well as government censorship, given that everyone is theoretically free to publish anything on the internet. Represented by online literature, self-publishing has indeed led to disruptive changes in China, in particular, the rise of new internet intermediaries, “freemium” business models, entertaining literary content, and population-wide creative writing.

Online literature was originally fan-generated fiction and self-expression of lovers of literature, and first emerged in the country during the late 1990s. Genre fictions soon became dominant, along with a rapid shift of online creative writing from self-expression to creative money-making. Qidian was established in 2002 and acquired by Shanda Literature (*Shengda wenxue* 盛大文学) in 2008, and later by Yuewen Group (*Yuewen jituan* 阅文集团) in 2015. It is the most important platform in the Chinese industry of self-published online literature. Qidian invented a unique business model to capitalise on self-published literature, combining freemium with micropayment, allowing readers to read a few free chapters and then pay to read the rest of the book on a chapter-by-chapter basis. This model enables the financial sustainability of Chinese online literature in its early stages, particularly for self-published content whose quality and value can vary greatly, and also in light of a copyright environment in which IP infringement and piracy are prolific and readers are unwilling to pay for content. Compared with the mainstream business models of e-books, the Qidian model is radically innovative and has created a vast readership for online literature.

After Qidian was acquired by Shanda Literature, some new initiatives, such as a VIP subscription that allows unlimited reading on the entire website, gradually became popular. Since 2014, the so-called “big IP (intellectual property) strategies” have been on the rise. Such strategies monetise popular content by licensing right for film and TV adaptations and franchising, rather than by charging readers for accessing original fiction e-books. ‘Big IP’ has become extremely popular in the industry, facilitated by the commercial success of films and TV dramas based on popular online literature such as *Hou gong*: 后宫·甄嬛传

(*Empresses in the Palace*, 2011), *Gui chui deng zhi xun long jue* 鬼吹灯之寻龙诀 (*Mojin: the lost legend*, 2015), *Langya bang* 琅琊榜 (*Nirvana in Fire*, 2015) and 半月转 *Miyue zhuan* (*The Legend of Miyue*, 2015). The venture capital and internet giants like Tencent and Alibaba also play an important role in integrating e-book business into bigger commercial ecosystems based on IP exploitation. As a result, cross-subsidies (whereby the revenues generated through advertising, licensing, or franchising cross-subsidise content production) have become prevalent in online literature. Copyright owners sometimes even make fictions free to read in order to accumulate popularity and increase the value of their IP. This is far different from traditional publishing business models that depend on selling physical books or digital copies directly to readers, as well as from the earlier Qidian model (Ren 2014).

These innovative business models led to the commercial success of online literature in China. The current economic value of the industry is over RMB 9 billion yuan (USD\$1.43 billion); thirteen million people write online and publish 150 million words each day; there are about six hundred thousand contracted authors who earn stable income from platforms¹; 333 million Chinese people are active readers in online literature, accounting for 45.6 per cent of total internet users.² In the age of mobile internet, online literature is the third largest category of in-app purchases in China, accounting for 30.8 per cent, behind only games and social media.³ Based on their huge commercial value and popularity, online platforms like Qidian have replaced traditional publishers and become the dominant intermediary of literary publishing. Unlike what happens in other publishing fields, where e-books normally digitise already published print content, the information flow in literary publishing is reversed: once the born-digital online literature becomes popular, the print version will be published to further explore the market.

Apart from business innovations and commercial success, self-publishing enables new types of content, which disrupts the established paradigms of literary writing and drives

¹ These figures are from Mr Yijun Zhang, the dean of Digital Publishing Department of China's State Administration of Press, Publication, Radio, Film and Television, see relevant news report at http://www.xinhuanet.com/fortune/2017-08/14/c_1121481917.htm; there are other articles that provide similar statistics, for example, see http://www.xinhuanet.com/book/2018-01/31/c_129802946.htm.

² Several different sources of information estimate that the overall scale of online literature readership is over three hundred million, between 300-400 million. See, for example, <http://news.cctv.com/2017/03/29/ARTI4lmUyaPZPwEJ7B4m1C0f170329.shtml>, or <http://tech.sina.com.cn/i/2018-01-31/doc-ifyqyuh7671103.shtml>.

³ See relevant statistics in *China internet Network Information Center: Chinese Mobile internet Research Report*. Beijing: CNNIC 2014, <http://www.cac.gov.cn/files/pdf/cnnic/CNNIC20132014ydhldwcyjbg.pdf>.

cultural changes. Online literature, particularly born-digital genre fictions, has become the dominant form of literary writing, for example fantasy, romance, thrillers, crime stories, ghost stories, and Chinese warrior fiction (*wuxia* 武侠). The Chinese online literature authors have also created some unique Chinese genres, in particular, grave robbers' stories (*daomu xiaoshuo* 盗墓小说), time travel romance (*chuanyue wenxue* 穿越文学), and alternate history (*jiakong lishi* 架空历史). All these are different from what was written during the “print age” by professional authors, who were generally members of official authors’ associations, sponsored and supervised by government. Understandably literary critics, university academics, and mainstream media widely criticise the literary quality and aesthetic value of online literature, and question some moral values and ideologies the content is perpetuating. However, the entertaining online literature content is highly attractive to the majority of Chinese readers who are tired of reading serious literature and propaganda. We may safely conclude that the commercial success of Chinese online literature results from a systemic coincidence; that is, the inability of the print publishing industry to service public reading demand for genre fictions and the dynamics of self-publishing based on millions of creative users (Ren and Montgomery 2012, p. 121). In other words, it is China’s strict censorship of traditional literary publishing in the past decades that stimulated a strong market demand for the online literature.

On the other hand, even for online literature, there is still a bottom line of politically sensitive content and pornography. Self-censorship has become the major mechanism to regulate content in online literature today, in addition to occasional government-led “Cleaning the internet” campaigns. Interestingly, self-censorship becomes even more effective in the big IP context, as many authors hope to maximise commercial benefits through TV or film adaptations and thus accommodate to the more restrictive censorship standards of screen media in China. Some self-published authors even write “main melody (*zhu xuanlü* 主旋律)” fictions serving propaganda purposes to increase the opportunities for TV or film adaptations. Compared with the digital disruption to the business models of print literary publishing, the innovations of self-published online literature are less disruptive to government censorship in terms of publishing content that would not normally be officially allowed or encouraged.

In China, major e-book stores are based on large e-commerce (internet retailer) sites, for instance, the Kindle e-book Store (in partnership with Chinese All, *Zhongwen zai xian* 中文在线), Chinese Dang Dang e-books (*Dangdang dianzi shu* 当当电子书), and Chinese Jing Dong e-Reading (*Jingdong shuzi yuedu* 京东数字阅读). As part of the commercial ecosystem of internet retailing, these e-book stores can easily convert the purchasers of print books and other commodities into the purchasers of e-books. Meanwhile, e-books, like print books, have a high consumption frequency and thus help attract internet traffic to the e-Commerce sites where e-book purchasers often continue to shop other commodities. This tends to redefine the commercial value of e-book business for e-Commerce. However, the business model of e-books in these e-Commerce sites is by nature nothing innovative, but a digital replication of print bookstores, selling individual e-book “copies” to readers as if they were printed books.

In comparison, the business model initiated by the Chinese telecommunication corporations in 2010 was more innovative. In 2014, during the peak time of the e-book business run by telecommunication corporations, Chinese publishers heavily depended on the revenues generated from mobile reading, which on average accounted for 60–70 per cent of their total e-books business (Yuan 2014). China then had over 527 million active mobile internet users⁴ and 53.67 per cent of Chinese mobile internet users read all sorts of literature on mobile devices (Enfodesk 2013). This huge mobile reading market was (and still is) dominated by three monopolist telecommunication corporations, China Mobile, China Tele, and China Union, which together acquired 70 per cent of the market share. China Mobile as the industry leader held 49.1 per cent (Li 2015).

China Mobile Reading Base was launched in May 2010. Based on its 750 million users, this initiative aimed to build new models of e-book distribution from the very beginning. China Mobile Reading Base employed an e-book subscription mode, similar to Kindle Unlimited of Amazon. This was not a genuine innovation at the time but was disruptive to the established e-book business in China which depended on selling individual titles. The price for e-book subscriptions started at only RMB 3 yuan, roughly USD\$0.50 per

⁴ See relevant statistics in *China internet Network Information Center: Chinese Mobile internet Research Report. Beijing: CNNIC 2014*, <http://www.cac.gov.cn/files/pdf/cnnic/CNNIC20132014ydhldwcyjbg.pdf>

month, which is much cheaper than buying individual e-book titles. Moreover, it provided a super-value bundle for Chinese readers who were generally reluctant to pay for digital content then, giving them full access to over one hundred thousand e-book titles. Furthermore, compared with other e-book stores, China Mobile Reading Base had a large number of popular online literature titles, making its subscription bundles especially attractive to mobile phone users for relaxing reading in fragmented time. It even attempted to import e-books published in Hong Kong and Taiwan, in order to differentiate its e-book content from that of its competitors.

It is worth mentioning that China Mobile Reading Base started its e-book business when the industry was pessimistic about the commercial viability and financial sustainability of e-books. In 2010, the leading e-book store Fanshu (*Fanshu wang* 番薯网) only generated RMB 1.14 million (USD\$175, 000) with losses of over RMB 20 million (USD\$3.1 million) from selling individual e-book titles to readers (TechWeb 2011). By contrast, China Mobile Reading Base generated a revenue of RMB 100 million (USD\$17 million) in 2012. In 2014 they had over 130 million individual visitors per month and over six hundred million daily visits (Sun 2014). This attracted over 240 publishers who licensed their content to this e-book platform.

Its commercial success could be attributed to the combination of disruptive business innovation and industrial monopoly. The e-book subscription model has proved to be commercially viable as it is attractive to mobile phone readers and also helps spread the risk of selling individual e-book titles based on the economics of scale and scope. Undeniably, the monopoly situation of China Mobile is crucial for commercial success. China mobile has hundreds of millions of users that help form the economics of scale and scope. Other exclusive advantages include, for example, China Mobile pre-installing e-book reading apps in the smartphones they sell; China Mobile also offers bundles like Donggan Didai 动感地带⁵ that combine e-book subscription with value-added information services or even monthly mobile phone charges. It is monopoly-backed disruptive innovation, through which the Chinese telecommunication corporations have created a growing new e-book market. The success of China Mobile Reading Base and its e-book subscription model significantly

⁵ This is a bundle of mobile telecommunication services provided by China Mobile. For a monthly minimum fee of RMB 10, users get 120 complimentary text messages, access to digital content such as e-books, mobile music, and so on.

expanded e-book readership in China, by attracting some less educated and low-income people to digital reading, such as rural migrants working in big cities.

The rise of telecommunication corporations in digital distribution of e-books has reintermediated digital publishing in China and restructured the value chain, particularly by marginalising traditional publishers and e-book stores. However, this has not led to a decentralised, competitive, and diverse industrial structure. Rather, the monopolist telecommunication corporations have established their own monopoly in digital publishing through disruptive innovation and enjoy the commercial benefits of distribution dominance. In addition to cash revenue and profit, e-book business also helps the monopolists in telecommunication industries attract users and internet traffic, increasing the number of users in their other various services. Although China Mobile used disruptive innovation to translate its monopoly in telecommunications into an advantageous status in the e-book industry, once it became the dominant distribution channel, it gradually returned to the traditional e-book selling models based on individual titles for higher profit margins.

Duokan and User-Driven Innovation

Unlike the disruptive innovation implemented by the monopolist companies based on economics of scale and scope, the e-book startups represented by Duokan develop new publishing models based on user-driven innovation and user co-creation. Digital reading experience is prioritised in these models rather than competing on price. The reading experience is being improved through both upgrading the design, functions, and content of e-book systems based on user feedback and enabling user participation and co-creation in innovation and development.

Established in 2010 by a group of IT engineers, Duokan was originally a technology company with a keen interest in digital reading. It became well-known in the e-book industry for hacking the operating system of Kindle eReaders. In April 2010, Duokan issued the first third-party firmware for Kindle 2 and continued to provide Duokan systems for all available versions of Kindle eReaders. Duokan provides a user-friendly and open alternative to the restrictive and closed official Kindle software system, and one which is free of charge. The

Duokan system supports almost all e-book formats with special optimisation for PDF and provides enhanced information functions of searching, highlighting, note-taking, and sharing. It is more compatible and interoperable with other platforms than the official Kindle system. The Duokan system also has strong Chinese language support, while Kindle firmware did not support Chinese until 2013 when Kindle was officially launched in China. All these innovations removed the exclusions and restrictions set by Amazon for commercial purposes, maximising the benefits for Kindle users. Based on its third-party firmware and the hardware of Kindle eReaders, Duokan later launched an e-book store, producing and selling e-books to end users.

Apart from the useful and user-friendly functions of its e-book system, Duokan also tried to enhance the visual design and navigation of its e-books. They believe the e-book is a new medium of content that goes far beyond digitising the textual content of print books; rather, the artistic and graphic design of e-books should be carried out following the same aesthetic criteria as print books (Lucius 2013). In other words, e-books should try to digitise the whole enjoyment of print reading. Following such principles, Duokan has invested heavily in designing beautiful e-books and improving reading experience, which helps form competitive advantages over other e-book vendors. Duokan even copyedits the e-book content, as sometimes the quality of original textual content is not satisfactory. The launch of Apple's iPad in 2012 challenged digital reading business based on black-and-white eReaders, including the Duokan model based on Kindle. However, this also provided new opportunities for Duokan to expand its e-book business to tablets and smartphones. Duokan's mobile phone reading apps on iPads, iPhones, and Android devices follow the same principles of optimising digital reading experience through useful functions and attractive graphic design, for which mobile phones and tablets actually provide a larger creative space. The beautifully designed and high quality e-books produced by Duokan were pioneering in China's e-book market then and they gradually changed many people's ideas of what an e-book is, as well as their expectations of digital reading (Wu and Ran 2015).

Like other e-book vendors in China, Duokan still need to survive the challenges of rampant copyright infringement. Originally a high-tech company, Duokan engineers have developed a complicated DRM (digital right management) technology and, as a result, it is

technologically difficult for pirates to remove DRM restriction from Duokan e-books.⁶ Further, unlike the low-price strategy adopted by China Mobile Reading Base, Duokan believe that readers' habit of consuming copyrighted content can be gradually cultivated through good reading experiences despite the free pirated alternatives. In other words, in competing with digital piracy, this e-book startup expects readers to pay for well-designed, quality e-books.

Those who regard Duokan as purely a technology-driven disruptor focusing on the optimisation of digital reading experience tend to neglect another key element of its innovation: user co-creation based on fan-communities. Duokan is perhaps the first enterprise that values and successfully harnesses user creativity, collective intelligence, and social networks in the Chinese e-book industry, perhaps also in China's publishing industry at large. Soon after Duokan developed its first third-party firmware for Kindle eReaders, a participative user forum was set up to encourage collaboration between the company and e-book lovers.

Duokan is part of Xiaomi Inc., the emerging Chinese mobile phone giant. Xiaomi's principle of valuing user co-creation deeply influences the business model and culture of Duokan, which tries to transform users into partners and fans and build connected communities between enterprise and end users. The staff members of Duokan, ranging from senior managers to engineers, are active in social media and Duokan forum in responding to user comments and discussing with fans on various topics. Such interaction is helpful for obtaining user opinions on content, function, and possible bugs in the software system; more importantly, cultivating partnership relationship with users and their sense of belonging to the Duokan community. This is rare in the Chinese publishing industry. Although state-owned and government-backed publishers are largely forced to learn the value of readers during market reform, it is impossible for them to embrace internet culture like user co-creation. There is large gap between traditional publishers and startups like Duokan in listening to readers, responding promptly to their feedback, and working with them in innovation and development.

The value of the disruptive innovation by Duokan, resulting from the collision between a high-tech company with internet culture and the conservative traditional

⁶ Kindle Duokan chongchu Yamaxun 多看冲出亚马逊. In: *Geekpark.net* (22 March 2013), <http://www.geekpark.net/topics/175427> (15 January 2016).

publishing world, is not well recognised by the publishing industry and scholars in publishing studies. The value has not been translated into reasonable market revenues, either. Even during the peak period of its business in 2014, Duokan struggled to monetise its user co-creation advantages (either collective intelligence or networked communities), as well as its reputation and popularity accumulated through innovative practices. It is surprising that Duokan solely depended on traditional e-book store model (i.e. selling individual titles to users and fans) to make revenues, which did not work well. Duokan e-book store had over seven million registered users in 2014, but there were only about fifty thousand paid users who spent money purchasing e-books, a number which could not financially sustain this business initiative and satisfy investors (Li 2014). Another challenge concerns comparative advantages. Though Duokan inspires the industry that an optimised and value-added reading experience can be as important as the content for e-book business, such disruptive innovation is easy to imitate by other e-book vendors. In other words, innovation of this kind is not enough to establish a long-term comparative advantage.

Cultural Impacts of Digital Disruption

Value Propositions of Digital Publishing

In the three case studies discussed, disruptive innovation harnesses various digital dynamics such as cross-media convergence, population-wide creativity, and social networks in transforming publishing from a traditional media and copyright industry to a digital creative industry (Potts et al. 2008; Ren 2012). Disruptive innovation enriches the understanding of publishing value proposition in the digital and networked environments and provides forward-thinking strategies for the publishing industry at large. Print publishing builds on the scarcity or artificial scarcity of content and creativity, while digital publishing is by nature an economy of abundance. The publishers' role is no longer that of gatekeeping or creating scarcity, but of intermediating abundant human creativity while transforming the creative inputs from both authors and readers into tangible economic values in large internet ecosystems, and moving beyond the narrow 'publishing' domain.

Disruptive innovation is useful for the innovators to create user growth and stickiness and acquire resources which are otherwise unavailable. But the disruptors must integrate such innovation with other comparative advantages over competitors, which could be a relaxed form of censorship (Qidian), the possession of a monopoly in the telecommunication industry (China Mobile Reading Base), or some unique technological capacity (Duokan). Interestingly, once they become mainstream, some disruptors tend to return to the traditional publishing paradigms which they were previously disrupting, for example, the self-censorship of online literature, China Mobile Reading Base returning from subscription to the traditional e-book selling model it once disrupted, and Duokan's unusual combination of open innovation and closed e-book store model. This raises questions: Is disruptive innovation in the e-book industry genuine when compared with print publishing? Or does it merely prioritise user growth over sustainability, in which cross-subsidy is key to disrupt traditional publishers?

From Passive Consumers to Creative Users

Disruptive innovation provides entertaining content, affordable e-book products, and optimised reading experiences. All these help to popularise digital reading and widen public access to knowledge. The gap between digital and print reading is shortening—in 2017 Chinese adults read 3.12 e-books on average, compared with 4.66 print books (Sina Books 2018).

Apart from the growth of a digital reading public, the disruptive e-book initiatives imply a significant cultural change in understanding readers, shifting from passive consumers to creative users and partners for co-innovation. The traditional publishing paradigm in China is a top-down approach, in which elitist authors, institutional authorities, and state-owned publishers decide what people read and feed them with approved “spiritual food.” Further, as Chinese publishers, like other media companies, serve two masters: the market and the Party (Zhao 1998), they always struggle seeking a balance between economic benefits (demonstrated by sales in market) and social benefits (usually approved by government). Though the Chinese publishing system is market-oriented due to market reform, traditional publishers' understanding of readers is far different from today's internet companies. For

them, readers are mostly a statistical indicator of their performances, either commercial or propagandistic.

By contrast, disruptive innovation in e-book initiatives as part of internet innovation builds on user-centric culture, which is illustrated not simply by maximising readership in “clicks economy,” but also the models that empower, connect, and collaborate with users. The case studies in this chapter reflect different aspects of such user-centric culture in the publishing context.

The rise of self-publishing sites like Qidian, where everyone can write and publish their fictions, democratises literature and disrupts the dominance of professional writers in creating literary text. Moreover, readers’ collective choices, rather than editorial control, is crucial in filtering literary content. From Web 2.0 to Big Data, technologies are making it increasingly viable for digital publishers to gain an accurate understanding of readers’ cultural needs and then to match their diverse needs with right content. The most recent example in China is Toutiao, owning a variety of influential digital content apps (e.g. Today’s headline, and Tik Tok), which employs algorithm and machine learning to recommend content to individual readers based on their reading/viewing history. Another important aspect is optimising reading experience by increasing readers’ enjoyment, convenience and rewards, ranging from functional reading apps to easy electronic payment, as developed in China Mobile Reading Base and Duokan. Duokan also exemplifies the cultural change in harnessing user co-creation and building a fan community of e-book lovers.

Digital Enlightenment in Complex Systems

The disruptive innovation of e-books in China leads to cultural evolution, involving self-expression, cultural resistance and digital activism, particularly relating to the younger generations born after the 1980s. In online literature, 80 per cent of the readers are between twenty and thirty-nine (Xin 2014). As the majority of digital writing and reading publics, these younger generations are keen to develop and express their own cultural identities in the digital literary sphere. For example, Jiu Ye Hui 九夜茴, a popular novelist of the post-1990s (*jiu ling hou* 九零后) generation, described her motivation to write as a wish to express

herself on behalf of China's one-child generation who feel lonely and lost during their adolescence (Xianggang shuzhan 2015).

In some cases, the cultural consumption of e-books contains digital activism and the expression of dissatisfaction over the present-day society of China. The cultural phenomenon of *diaosi* could be understood as a socio-cultural driver behind disruptive innovation of e-books. Sociologically, *diaosi* are young people from middle or low social economic backgrounds who feel disillusioned with “the apparent lack of possibilities for upward socio-economic mobility in contemporary China” (Szablewicz 2014, p. 259), as career advancement and life success depend more and more on social connections and family background. They often mockingly express their dissatisfaction in the digital public sphere (Cheng, Liang, and Leung 2014). As the *diaosi* population becomes the most active demographic among internet users, the belief is emerging in the internet industries that “who gain the common aspiration of the *diaosi*, who can rule the world 得屌丝者得天下.” The combination of sociocultural trends and business innovations has enabled internet industries, including e-book initiatives, increasingly to become mediators and facilitators of *diaosi* activism in China.

In the production and consumption of e-books, Chinese online writers and digital readers are displaying a cultural resistance against official values and traditional authorities (Han 2011). Though the digital publishing sphere is growingly depoliticised, cultural practices still involve protest against internet censorship and government control (G.Yang 2014). Many popular online works of fiction contain beliefs, aesthetics, and ideologies that challenge official values. This “new style of writing” began to emerge before online writing prevailed and as a result of the marketisation of print publishing (Berg 2000, p.316). In the era of online literature, internet authors continue to differentiate themselves from their traditional fellows. For example, Tian Xia Ba Chang 天下霸唱, the author of the very popular work of online literature *Gui chui deng* 鬼吹灯 (The Ghouls), publicly claimed that the original motivation for his writing was simply to chase a girl.⁷ In digital reading, it is a popular custom to read and share books which the Chinese government bans or does not approve of (Buckley 2013). *Jin ping mei* 金瓶梅—the Chinese classic pornographic novel that was banned during the print age—was one of the most downloaded e-books in the

⁷ See interview with the writer in: Tian Xia Ba Chang tan *Gui chui deng* 天下霸唱谈《鬼吹灯》, 163 News (15 December 2015), <http://news.163.com/special/00011N8F/fictionistzhang.html> (10 June 2016).

Duokan platform. A growing number of readers share politically sensitive e-books purchased from international e-book stores in various online communities such as Baidu Tieba 百度贴吧 and Kindleren (it has removed online sharing function) and without copyright authorisation. Social media users show strong sympathy and support for piracy-related websites and some even regard copyright infringements and unauthorised sharing as a form of resistance against censorship (see Latt 2016).

The democratisation of publishing, as well as the shift from elitism to mass culture, is not free of controversy. The prevalence of entertainment, pulp content, and pornography in the e-book industry is a worrisome trend. For quite a while, almost all the most-read e-books in China Mobile Reading Base contained soft pornography, which even became a key selling-point. People's worries about the decline of the quality and value of public digital reading is thus understandable.

However, it is misleading to assess the cultural value of disruptive innovation by taking a black-and-white approach. In book history, the growth of public reading always contributed to the democratisation of knowledge and mass enlightenment (Leavis 1939). The disruptive models of e-books have greatly broadened the scale and scope of public reading, particularly beyond the boundaries drawn by the official institutions in China. Digital enlightenment is not as straightforward as that "one book changed millions of lives", and neither is it a top-down process dominated and controlled by government or elite intellectuals. Rather, digital enlightenment is a chaotic bottom-up process. Enlightenment is closely linked to self-expression, activism, and cultural resistance. Every creative citizen is playing a role, making contributions and differences; conflicting messages, competing values, and various forms of behaviour coexist and mutually shape each other. Overall digital publishing and reading in China is such a complex system that nobody, including the government, can completely control it (McNair 2006). In short, the disruptive innovation of the e-book industry is part of the complexity of publishing transformation and digital enlightenment. The value of digital disruption lies in widening public access to knowledge, connecting authors and readers, and empowering them more than ever before.

Conclusion

The disruptive innovation in the Chinese e-book industry could be interpreted as an interplay of universal internet dynamics and “Chinese characteristics,” in which disruptive technologies drive changes, while being shaped by contextual factors such as policies, industrial structures, market demands, and publishing culture. The internet as a disruptive technology undermines the basis of traditional book publishing. The rise of digital innovation and networked technologies challenges the crucial value propositions of traditional publishers as gatekeepers and intermediaries (Ren 2014). As such, what Schumpeter calls “creative destruction” happens in the book publishing market.

The digital disruption was very significant in the Chinese e-book industry when it was emerging at a rapid rate and from almost zero. The market gaps, the regulatory vacuum or “special zones,” and the lagging traditional publishing sector all helped to bring about the rise of disruptive innovators. Yet this golden age of digital disruption based on vast market gaps and extensive growth has now ended.

The next wave of disruptive innovation is coming in the post e-book age, harnessing emerging technologies like big data, machine learning, virtual/artificial realities, and increasingly based on platform infrastructure. In the Chinese digital publishing sphere, one of the most noticeable innovations of this kind is the so-called “Pay-for-Knowledge”. In 2017, the economic scale of the Pay-for-Knowledge industry, as a cross-sector area of trade publishing, online learning, social media, and e-Commerce, was over RMB 50 billion yuan (nearly AUD\$10 billion), which attracted more than fifty million paid users. Compared with traditional book publishing or Kindle-style e-books, Pay-for-Knowledge initiatives shift the focus of publishing from selling bookish content to offering multimedia, interactive, social and customisable services for knowledge sharing and social learning, ranging from audiobooks, to paid podcasts, paid subscriptions, cash for answers, and celebrity-led reading groups. Though Pay-for-Knowledge is still in its infancy and not free of controversies, its ideas and practices suggest some interesting potential of reinventing publishing and knowledge communication in China and beyond.

Despite internet monopoly by BAT (three Chinese internet giants: Baidu, Alibaba, and Tencent) and increasingly tight control and censorship in digital publishing in Xi Jinping’s “New Era,” there is always space for digital disruptors and game-changers. In the unique Chinese context, the interplay between disruptive innovation and contextual factors

will still be a defining feature of digital publishing. As before, for the game-changers, as well as those who are dissatisfied with current situation, disruptive innovation is a catalyst, not only for the transformation or evolution within the publishing world, but also, for institutional reform, cultural changes and social transitions broadly.

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