

# A Case of Goken: Product Development and Marketing in the Overflooded English Textbook Market

KOBAYASHI Toshihiko

## ABSTRACT

The fever for learning English shows no sign of cooling down in Japan. The vast space allotted for English self-learning books is overflooded with English conversation and preparation materials for TOEIC tests. In the era of low sales of books, the publication industry has been joined by up-and-coming publishers who saturate the market with similar products with very similar book titles. Publishers can be categorized as manufacturers just like food and industrial makers. However, they have attracted almost no attention as a subject for case study. What is the book market really like and what marketing strategies has each publisher worked out to develop new products and promote their sales? Goken, which has long enjoyed its status as a producer of quality books for learning a wide range of foreign languages, has a typical size as a publisher in Japan and is thus suitable for study. Descriptions in this case are largely based on the information, knowledge and opinions gained from Mr. Okumura Tamio, Goken's department manager, in a series of interviews through face-to-face interactions and e-mail exchanges. First, a brief description of Goken will be made and an attempt will be made to uncover the current situation surrounding foreign language textbook publishers. Second, the features of Goken's material development and marketing strategies will be analyzed.

## 1. A Brief Description of Goken

The Goken Co, Ltd. is located in Sarugakucho, Chiyoda Ward, Tokyo. The company was established in February, 1963 with capital of 15 million yen. The publisher specializes in self-learning materials such as books, cassette tapes, CDs and sound files, for a wide range of lan-

guages spoken in 22 countries and regions in the world including English, Chinese, Korean, French, German, Italian, Spanish, Portuguese, Russian, Dutch, Chinese (Mandarin), Cantonese, Taiwanese, Korean, Vietnamese, Thai, Filipino, Malay, Indonesian, Arabic, Persian, and Japanese.

As of January, 2007, Goken has a total of 13 employees (5 in the editorial, 4 in sales, and 4 in general and financial sections) and Mr. Tanaka Minoru (born in November 4, 1958) is the president, who assumed the position on March 20, 2003. In August, 1976, the company established Today Book, a subsidiary company, to develop materials. In 1980, Goken started to publish materials for languages other than English. In 1999, the publisher's total annual number of books sold reached 120,000 copies. In 2006, the total number of the book titles reached 500. In 2006 alone, Goken published 27 new titles and reprinted 37 existing titles. Goken's annual sales for 2005 reached 315 million yen. Among the 9246 publishers and related businesses in Japan, Goken comes in the 2771th in sales (Teikoku Data Bank).

## 2. The Real Picture of Publishers in Japan

The Japanese publishing industry has been suffering from a long structural recession due to low sales of books and magazines. People are becoming busier and have difficulty sparing time for reading. They can also get information and knowledge from other resources, such as TV and the Internet, quickly and more importantly, less costly. People are getting tighter with their money for the traditional charged resources of information. One poll conducted by Nihon Ryutsu Sangyo Shinbun (2006) reports the average amount of money an individual in Japan spends for books is 2628 yen a month.

Japanese have been straying from printed letters and words. People are reading fewer books and this trend is particularly true of the younger generation. Besides, with a lot of large bookstores and used bookstores such as Book Off opening outlets in cities, a number of medium and small-sized bookstores have been forced out of business.

### **2-1. Diversified access to information and knowledge**

Now we can read newspapers on the Internet. And this relatively easy access to information has led to a decline in sales of hardcopy papers in many countries in the world. Nevertheless, this trend is not seen yet in Japan, where people traditionally prefer to read papers delivered to their homes early in the morning and/or in the evening.

Newspapers are not the only media that are available without charge. Many major magazines, articles, radio, TV and other media now provide free web contents that are almost equivalent to the hard cover versions. Moreover, sound files recording narrations of news scripts are now freely obtained from archives such as those of VOA (Voice of America). With scripts and sound files, learners of foreign languages can now get almost equal or even more materials from such free resources to/than regular textbooks sold in stores.

Goken does not see the diversification of language resources from other media as a direct threat to their publication business. While having some concerns about such free resources, Goken still believes in the superiority of hardcopies. Books are portable with no need for electricity or any bulky devices and are more friendly on the eyes than computer or other electronic monitors.

## 2-2. The ceaseless Japanese fever for learning English

In Japan, there has been a publication rush of English self-learning materials (hereinafter referred to as “English textbooks”), primarily on English conversational phrasal books and TOEIC preparation kits. Statistics released by Shuppan Kagaku Kenkyujo based on figures collected between January and October in 2006 show a total of approximately 70,000 new titles were published, of which 930 titles were on learning foreign languages. Moreover, 500 titles were English textbooks. This means roughly 1.7 English textbooks were published daily during that period. On top of this, best sellers and popular existing titles were reprinted. In reality, however, most of the titles ended up with the initial print and then go out of print.

Enthusiasm for learning English is likely to continue in Japan. Many businesses now oblige their employees to take the TOEIC test periodically for placement and/or other purposes. In 2002, the Ministry of Education, Science, Culture and Sports compiled a strategic project to nurture Japanese who can use English as a specific action plan in an attempt to make drastic improvements in English teaching for Japanese. This strategic plan was proposed in response to our social awareness that it is essential for children to acquire communicative skills in English to survive in the 21st century amid economic and social globalization, and this is becoming a very important issue in light of children’s futures and our nation’s further development. Under this action plan, the English proficiency levels required of all Japanese nationals were suggested in specific ways. By the time they graduate from junior high school, students should be able to be engaged in greetings and elementary level conversation in English (again along with the same level of reading, writing and listening required). By the time of graduating from high

school, students should be able to talk about daily topics in English (along with the same level of reading, writing, and listening required). More specifically, average junior high school students should be able to pass the STEP 3rd grade; and high school students should be able to pass the 2nd grade by the time they graduate; college and university students should be able to pass the STEP pre-1st grade, get 550 in TOEFL, and/or get 730 in TOEFL before they graduate.

In response to this policy, several attempts have been made including the introduction of a listening comprehension test as part of the Center Examination in 2006; the designation of 100 high schools “Super English Language High Schools” for state-of-art English teaching and research; promoting full-time employment of foreign nationals; providing more scholarship offered to high school and college students wishing to study abroad through exchange programs. English is also about to be taught formally as a required subject in elementary schools.

As used as one of the criteria for the target proficiency for students to reach, the Eiken or the STEP (Society for Testing English Proficiency) seemed to attract more applicants. In reality, however, the number of STEP applicants has been decreasing due partly to the declining children’s population from the low birth rate and partly due to the Ministry of Education, Science, Culture and Technology’s abolishment of the approval system for almost all quality exams in Japan. The Eiken used to call itself the “Mombusho-approved STEP.” There has been a gradual fall in the number of STEP applicants in the recent figures: 2,536,666 in 2003; 2,492,287 in 2004; 2,484,414 in 2005. Likewise, the TOEFL (Test of English as a Foreign Language) has been losing popularity since the switch from paper-based to computer-based administration and subsequent major changes in test contents. With the declined popularity,

many publishers have stopped developing materials for the STEP and TOEFL tests.

### **2-3. The Saturated English textbook market**

In large bookstores, a large display space is allotted for language learning books, primarily English textbooks, which can be divided into three broad types: English conversation, listening practice and test preparation kits. Books for English conversation typically introduce words and phrases with pages organized and displayed according to the situation, and/or notion/function. Listening books are designed primarily for comprehending news in English using authentic resources mostly from the radio or web sites. Test preparation kits are for those taking TOEIC, TOEFL or STEP tests. Recently, English grammar books, especially for speaking are getting more popular.

The English learning book market is nearly saturated with materials of a variety of titles, genres, content, volumes, cover designs, layouts, prices and authors. In each of the properties above, publishers are racking their brains to make their materials distinct from other publishers and attractive to gain readers. However, since popular genres among learners that lead to good sales are now clearly identified and focused on, publishers tend to target them and develop books with very similar or almost identical titles, such as those starting with “Native”, or with similar contents and prices.

Because of the flood of books with similar titles and contents, both shop clerks, who should be able to give some advice to customers about what to read for their purposes, and customers are rather confused and have difficulty finding materials that fulfill their needs. Thus, both are easily allured by tempting titles or subtitles or cover designs that do not

necessarily reflect the quality of the contents.

Publishers need to have capable editors who are familiar with the know-how of developing books and competent marketing staff who grasp the “premodern or outdated publication distribution system” (Mr. Okumura) to enter the market. In the book development process, however, technological advancement in editing with personal computers has allowed editors to do at their own desks what used to be done by printers, which has shortened the whole publication process as well as reduced costs for book development. And no large machines or facilities are needed for the work. Therefore, as far as book development is concerned, the book market is relatively easy for anyone with the know-how of developing books to enter. Yet, there is much more concern in marketing their products in the premodern or outdated system.

#### **2-4. Price competition**

In terms of price competition, there is a wide range of prices of books that publishers arbitrarily set. Publishers specializing in technical books with a relatively small readership tend to have high prices and can coexist without much concern about competition from other publishers by creating separate market niches. They can focus on their favorite genres that are often disregarded by others. On the other hand, publishers of competitive areas such as English textbooks are required to check out the prices that other publishers set in order to launch their own competitive prices. Moreover, large publishers without a prior publication record of any English textbooks and non-publishers are joining the English textbook market. Newly entering companies often have contracts with some celebrities or renowned individuals from fields irrelevant to English teaching such as TV personalities or singers to write

English conversation books with expectations of large sales from the authors' big names.

Besides, nowadays prestigious foreign textbook publishers such as Oxford and Cambridge are now developing books tailored for Japanese learners of English and marketing them in Japan with branch offices or subsidiaries operating in Tokyo. They try to achieve large sales with expectations from the publishers' own fame. Because of these factors, price competition has been intensifying in the textbook market with the shortened product life cycle and similar titles and/or contents.

#### **2-5. TOEIC way out in front**

ETS, the Educational Testing Service in Princeton, New Jersey, develops and administers both the TOEFL and the TOEIC. It announced that over 4,500,000 people take the TOEIC test throughout the world every year. In 2003, 1,423,000 people took the TOEIC test in Japan. In 2004 and 2005, the number increased to 1,433,000 and 1,495,000, respectively. The number of TOEIC examinees is on the rise and thus materials preparing for the test are the lead product in the English textbook market in Japan. Many businesses, colleges and universities use the test scores for placement, evaluation, grading, and/or replacing course credits.

An analysis indicates that there are nine profitable areas of foreign language textbooks: TOEIC preparation, English conversation, English grammar, English vocabulary, English listening, Chinese, Korean, French and Japanese. Naturally, publishers tend to focus on these clearly identified genres for more profits. Among these, TOEIC related books are the most profitable product as guaranteed by the increasing number of those who take the test voluntarily or those who are forced to take it by their companies or schools. Thus, TOEIC books occupy the largest

salesfloor or bookshelf space.

TOEIC had long kept the same question style until May, 2006 in Japan, when major changes were made such as narrating choices that used to be written out on the test and narrating by four speakers of different English dialects-American, Canadian, British, and Australian-which used to be by American English speakers only. Moreover, as elective segments, writing and speaking through computers were introduced in January, 2007. These changes have made previous test preparation kits (books and CDs all useless and thereby an additional rush of publication is now continuing.

## **2-6. Proposal-oriented sales strategies**

In relation between publishers and bookstores, bookstores traditionally make decisions as to what, when, where, and how to present books at their sales spaces. Publishers usually do not meddle in sales of books at stores; they merely introduce new books by sending stores regular mails or faxes or having sales representatives visit them.

Between bookstores and customers, customers select what they want with their own will, while bookstores do nothing but display books in attractive ways or at most with some promotion copies demonstrated on the wall. They just wait for customers to pick up a product and bring it to their cashiers for payment.

Currently, however, publishers are trying to get more involved in promoting sales at stores with "proposal-oriented sales strategies". Publishers can now grasp the exact number of copies of particular titles sold at stores through the POS (Point of Sale) system and give advice and/or suggestions directly to the bookstores as to the lineup and presentation in order to bring profits to both bookstores and themselves. In

addition, now large publishers are launching active sales promotion campaigns through other media.

In the relationship between publishers regarded as sellers and bookstores as buyers, it is not the publishers that decide which book and how many copies to ship. It is distributors such as Tohan, Nippan, and Osakaya, that stand between publishers and bookstores. Bookstores basically receive products from distributors and display them to sell at their places. Books are replenished whenever they get out of stock at stores by stores ordering the titles from the distributors.

On the other hand, between bookstores seen as sellers and customers as buyers, customers cannot negotiate prices at regular books stores, which is the first sales channel, because book prices are supposed to be the same throughout Japan, as guaranteed by the resale price maintenance system that prohibits discounts of first-hand books. However, selling second-hand books at used bookstores or through net auction sites at arbitrary prices by used bookstores or auction bidders is permitted.

### 3. The Current Situation of Goken

Goken has published a total of 43 new titles of books on TOEIC as of January, 2007. Of the 27 titles published in 2006, nine were on TOEIC, which accounted for 60% of all the English textbooks. In contrast to the dominance of TOEIC test, the STEP and the United Nations Associations Test of English are losing popularity and Goken has no plan to publish any materials related to these two tests.

Goken names three publishers as their major competitors — J Research, Velet, and The Japan Times — and analyzes them briefly as

follows. J Research has the 3rd largest share of the TOEIC market in Japan. The company's strongest point is their price competitiveness and sales promotion. Velet has published introductory books for a wide range of Asian and European languages. In particular, the publisher has a good reputation of their clearly explained introductory books and Goken feels threatened by their skillful promotion and advertizing. The Japan Times has a well established system to develop quality books that match the needs of learners of English by providing with a wide range of lineups covering the four language skills (listening, speaking, reading and writing).

### **3-1. Goken's Quality Control**

Goken has a large lineup of quality books covering a variety of genres for developing English language skills. Goken has published few books with exaggerated titles such as "You can master XXXX words in XX weeks." Many of Goken's books target highly motivated intermediate and advanced level learners of English and try to facilitate learning through continued efforts on the part of learners themselves.

Goken has long used computer programs to develop learning theories to maintain their products reliability and practicality based on authentic data used in the real world. In particular, Corpus Linguistics, which researches a collection of written and spoken material in machine-readable form, has played an important role in lexical analyses including identifying frequency of particular words and phrases to develop data-based vocabulary textbooks for FEN, TOEIC and TOEFL. Goken is a pioneer in such a scientific approach to lexical analyses to provide quality products. By using a corpus, they can make more objective selections of materials that reflect the real-life language use than that which were

merely selected with authors' rather subjective judgment and intuition.

While the majority of publishers for language learning materials develop books for just a few popular languages such as Chinese, Korean and French, Goken has distinguished itself from other publishers in the number of languages they develop materials for. Goken has published books for as many as 22 languages. Goken takes advantage of its multilingual lineups and often uses the titles or the contents of popular English textbooks for other language textbooks, and vice versa.

### **3-2. Shortened product life cycle and the process of new product development**

Unlike essays and novels, which rarely become outdated, language textbooks have a short product life cycle of 1.5 years on average (Okumura). The shortened cycle compelled to keep on and on developing and publishing new titles taking on distinct features to be competitive in the overflooded English textbook market. Publishers tend to publish new books with relatively short intervals. Goken published 27 new titles in 2006. The product life cycle of test preparation kits generally terminates when the styles of questions change. Information and descriptions in dictionaries soon become obsolete due to the tremendous technological innovation and concurrent reservoir of newly-born lexical items. On the other hand, books that describe how to learn a foreign language and how famous language experts learn a language seem to have some truth that hardly become outdated. However, new learning methods can be worked out and proposed that utilize new technological devices such as the i-Pod and MP3 files. Thereby, no eternity is quaranteed.

As the product life cyle has shortened, so has the process of material development. The way an idea for a new book is proposed and

developed into a book is usually divided into two types. One is called the “in-house development project”, in which editing staff work out a new idea on the basis of recent analysis of popular books or requests from learners. The other type is “author-proposed project”, where authors propose their ideas directly to publishers often with some sample pages or whole manuscripts. With Goken, more than 80% of their past books have been developed by editing staffs. When a new proposal is made, they try to find an appropriate author to write the new book, sometime by inquiring the authors they know or by contacting new authors. To contact new textbook writers, they sometimes check out the bookshelves at stores and find out who has written what and then try to get their contact information through college or university websites if they are college teachers. Goken usually prefers authors who know about Japanese learners of English and the Japanese culture and society because they believe these are the very important factors that should be definitely considered when writing books to sell in Japan. Naturally, they ask someone living in Japan. It is also the case that authors introduce other authors.

As for royalties agreements, Goken uses a typical range for the publishing industry. In the depressed publishing industry, publishers increasingly have come to pay royalties on the basis of the copies actually sold. And some fail to pay because of their worsened financial records. In contrast, Goken pays authors their royalties usually in installments on the basis of the number of copies published and without any delay or failure. Goken intends to continue this traditional payment. In general, publishers are in a position stronger than authors in the royalties agreement.

### 3-3. Sales promotion key to survival

Goken is fully aware that there is much room for improvement in their marketing strategies such as establishing new selling routes to differentiate their products from others. Goken thinks their promotion strategies are not well organized to sell what sells well and they are looking for ways to work out solutions.

At present, Goken has four staff in charge of promotion who regularly visit bookstores throughout Japan. Goken also introduces new books on their own website (<http://www.goken-net.co.jp/>), runs newspaper ads in The Yomiuri Shimbun and The Nikkei Shimbun several times a year, sends emails irregularly to readers and bookstores who request information.

Goken analyzes that their ineffective promotion is due to their failure to sell what sells well at appropriate times and places. And this comes from their strong commitment to quality products. Goken is now trying to publish a new book in less than a year after an idea is proposed, but usually fails. Goken traditionally spends longer than other publishers for editing work to make more careful material development and this often leads the publisher to miss good selling timing.

Goken's selling networks have been changing into being POS-basis, but not enough yet. As a result, it is often the case that good selling books go out of stock at large bookstores, while they are left unsold at smaller stores. However, publishers cannot intervene in the product distribution and cannot oversee it. Moreover, Goken finds it essential to promote the sales of their products through large-scale advertisement. In reality, however, they cannot afford to allocate funds in this way.

In addition, Goken is fully aware that they are behind their competitors in terms of selling power and price competition. Their

weak selling power mainly comes from the lack of manpower for the sales section. Because of the continued structural recession of the publishing industry, Goken had to reduce the staff at the sales department in favor of those at the editing department, which is the essential part of the company to keep developing new books. Moreover, this reduction led to the scarcity of the sales staffs well aware of the nature of language textbooks and capable of working out strategies to promote sales for their products.

#### **3-4. Goken's competitiveness**

Price competitiveness necessarily declines unless publishers take measures to maintain their selling power. Goken gets profits of approximately 40% of the cover price of a book after developing costs for books and attached CDs, advertisements, distribution, and royalties payments to authors are deducted. This means a copy of a book, say, of 1,600 yen sells each time, they get a profit of 600 yen.

New learning methods using state-of-art technological devices such as the i-Pod as well as CDs and DVDs are spreading among learners. Cassette tapes or CDs used to be sold separately at much higher price than those of the book itself. In 1990s, however, PC magazines started to attach free CDs. Some magazines started to appear for TOEIC learners that attached CDs with exercises and mock tests. As a result, many publishers began to attach a CD to a book without raising the book price, and Goken followed suit immediately. More recently, some magazines started to attach free DVDs. At the moment, however, no language textbook publishers are following this practice.

Goken maintains the policy to stay away from the arena of price competition with other publishers while recognizing their lack of price

competitiveness. This is because self-lightening books like language textbooks do not necessarily sell well even if their prices are low. Goken believes they can compete with other publishers as long as the prices they set for books fall within an appropriate range and the prices are seen as reasonable in light of their added value.

### References

Richards, J. & R. Schmidt. (1992). *Longman Dictionary of Language Teaching & Applied Linguistics: Third Edition*. London: Longman

### Websites for Reference

- (1) <http://www.goken-net.co.jp/>
- (2) <http://www.obunsha.co.jp/>
- (3) <http://www.bookoff.co.jp/>
- (4) <http://www.ajpea.or.jp>
- (5) <http://www.netlaputa.ne.jp/~ryuutai/>
- (6) <http://www.voanews.com>
- (7) <http://www.ets.org/>
- (8) <http://www.eiken.or.jp/>
- (9) <http://www.mext.go.jp/>
- (10) <http://www.dnc.ac.jp/>
- (11) <http://ziemon.com/>
- (12) <http://www.beret.co.jp/>
- (13) <http://club.japantimes.co.jp>
- (14) <http://www.seibido.co.jp/>
- (15) <http://www.sanshusha.co.jp/np/index.do>
- (16) <http://www.kinsei-do.co.jp/>
- (17) <http://www.jacet.org/>