

# Strategic analysis of reader's digest essay



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With the impact of the new information technological trend, it has definitely changed the way in which business operates these days. As supported by the studies of Sadler (2003, p. 28), " the new information and communication technologies ... are simultaneously restructuring global markets and the whole industry sectors, challenging conventional economic thinking and redefining how business is done. " Technology has greatly improved the buyers' awareness and individuals can retrieve information on the Internet effortlessly at low marginal cost nowadays.

With the enhanced information flow, the buyers are more well-informed and knowledgeable than ever, hence they are more able to bargain over prices and products more effectively. The power of the buyers are high as they will be more empowered to exert additional pressure on Reader's Digest to publish interesting issues and tend to be more demanding towards the products and delivery services rendered. Furthermore, with the widespread use of the Internet, it greatly lowers the cost of new entries into the magazine industry. It creates more market spaces for young entrepreneurs and they can simply advertise and market their magazines online because the cost is generally much lower as compared to advertising their magazines worldwide. Unlike the old days where Reader's Digest can leverage on their reputation and brand loyalty to create a high barrier of entry to potential entrants, the Internet has enabled young entrepreneurs to seek out useful information such as the existing cheapest suppliers and the latest marketing strategies and use this information to their advantage. These new rivalries will create more intense competition in the magazine industry when they

bring in their business online and eventually threaten the profitability of Reader's Digest.

To make matters worse, the threat of substitutes is also high for Reader's Digest because the switching cost for magazines is low. As supported by the research of Lasher (1999), the seller's market power will be reduced when substitutes exist and don't involve substantial switching costs for the buyers. The buyers can freely switch from Reader's Digest and subscribe to other types of magazines that are published online easily. As shown in the report of Teo (2008), the cost of a barrel of oil has risen sharply from \$25 since Sept 2003 to \$139.89 on June 2008. With this economic trend of rising oil prices, it definitely leads to higher inflation rates and increased cost of end products or services.

When the economy is bad and money is valuable, the suppliers of Reader's Digest will hold more bargaining power and they might be aggressive in their terms and pricing since they need to retain their revenue streams. As a result, they might increase the existing raw materials cost, transportation cost, printing cost and ultimately, the increase of the operating expenses will eat into the profitability of Reader's Digest. Although competition is low and new entrants will not enter the magazine industry when market is bad, Reader's Digest will still find difficulties in marketing and selling their magazines. That is because due to the overall price growth, the buyers will be more conscious in their spending and tend to save up their money in case the situation turns worse. To the buyers, Reader's Digest magazine is a "good-to-have" rather than "must-to-have" perception; hence the buyers can find other substitutes such as acquiring the information from the Internet or <https://assignbuster.com/strategic-analysis-of-readers-digest-essay/>

reading from the newspapers. Furthermore, there is an increasing public concern on the impact of global warming and climate change.

Due to the ecological trend, the buyers are getting more environmentally conscious and most of the companies nowadays are called upon to undertake greater corporate social responsibility for the impact of their actions on global warming. According to the findings of Printing Alternative Promoting Environmental Responsibility (PAPER) project, it is reported that the magazine industry has contributed extensively to deforestation as well as pollution and more than 35 millions of trees are cut down each year for magazine paper production. (Independent Press Association, 2001) This will have an impact on Reader's Digest as if they choose to ignore the environmental issues; they might run the risk of revealing unacceptable practices, which in turn will affect the profitability of the company. In the future, the government might even use legal laws and regulations to support the green idea and enforce that all magazines can only use recycled papers. With this legal act in place, there will be a greater demand for buyers to purchase magazines that are environmentally friendly.

To make matter worse, they might not even subscribe to Reader's Digest in order to save the earth but use the Internet search engine as a substitute to source for information. However, this should not affect the bargaining power of Reader's Digest's suppliers as the costs for recycled paper now is generally cheaper. With the greater demand for recycled paper in the coming years ahead, the government will also provide incentives for the suppliers who have aligned their policy in adopting the practice of using recycled paper. As supported by the research of Joanne (1993), most of the

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states are providing tax incentives to encourage industries to use more recovered materials in the manufacturing processes. Lastly, most of the readers from Reader's Digest were too elderly and the society nowadays is dominated by boomers. As shown by the research of Baby Boomer Care (2007), demographic trends of baby boomers between the ages of 41 to 60 will be influencing numerous aspects that include interests, education and the country's economy.

The buyers of this age group are generally more educated and prefer magazines of modern fashion, stars of Hollywood and contents that have enduring value or great interest. On the contrary side, it is sad to comment that the contents of Reader's Digest is not much different from the recent issues which appeared on the newspapers or Internet and it will not attract the buyers to purchase the magazines. This will eventually lead to the decline profitability of Reader's Digest. Reference List Baby Boomer Care.

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