

# Analysis of the uk book industry



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The value of book industry in 2009 in UK, at the end of consumer prices, was about £3.4 billion. However, it was around 3% less than in 2008, additionally, following a marginal decline in 2008 compared with in 2007 (PA, 2011). Some researches argued that more than 50% of book retailers maintained list of bestsellers and book that won awards, following by offer gift certificate and wrapping see figure 1. Thus to do marketing with customers in book retail industry, business should offer and provide according to customer's needs.

Figure 1: The bookstore attributes

Source: K. Clay, R. Krishnan, E. Wolff & D. Fernandes, 2002

## **PESTEL Analysis of book retail industry in UK**

Political factors: The main department that concerns about book retail industry in UK would be The Office of Fair Trade. The OFT's role mainly is protection of the consumers such as accountable for consumer law enforcement and have authority to search for court orders against industries who breach certain consumer protection laws (Office of Fair Trading, 2011).

Economic factors: The economic concern is emerging in the printing business. The sterling pound of UK is ongoing to struggle against the Euro and the US dollar is also engaged in its own worldwide and economic battle. Moreover, the print expenditures are rising drastically and it is because of the cost of paper. The paper prices had risen up to 25% in last six months (Rooney, no dates).

Social factors: as the trend of value of UK book market in 2009 was decreased, it can be assumed that in society people was spent less money for purchasing the books similar to research said that customers who are at the aged between 12 to 74 spent only 5% less on books in 2009 than 2008, decreased from about £2, 300 million to £2, 200 million (PA, 2011).

Technological factors: as the technology is continuing growing such as Offset printing that is a time-honored with high quality printing technique used for the huge of mainstream-press paperback releases, and operates a chemical method to produce pictures, this kind of technology can support a huge volume of quantities. The second technology called " Digital book printing" that including print-on-demand method uses an electric charge to transmit ink (Book Printing Revolution, 2011). As can be seen that even customers would like to print a small or huge quantities, these kind of technology can support them.

Environmental factors: more and more of people concern with environmental friendly issue. Books are from the tree at this point of view, some customers would prefer e-book since they concern about environment. However, there are many campaigns for books that showing about environmental such as Green printing or Eco printing that used 10% of recycle paper print or chlorine-free papers for books or materials(Angel Print, 2011).

Legal factors: The legal factors mostly supports the writers and publishes. Since the first copyright act in the world call " The British Statues of Anne" in 1710 (Copyright History, 2011). After this situation, in UK and many countries all around the world have been had Law for protect the books such

as The Copyright act 1956 the included not only books but also the technological advance like films and broadcasts with the corporation of Berne Convention and the United Kingdom's accession to the Universal Copyright Convention (Intellectual, 2011).

## **Five forces model of book in the industry**

Figure 2: Book retail industry based on Porter's five forces model

The bargaining power of buyers is quite high since the books have no differentiation once compare with others products but they depend on the story inside the books. For instance, the main market of UK book is USA, in 2009 UK export about £ 172 million(PA, 2011). Moreover, the demand of purchasing books is hard to forecast. While the bargaining power from suppliers is low because books are general products, they did not require a high level of technology once compare with producing iPad. The threat of new entrants is low as well because it needs lot of investment for opening bookstores and the exported books from other countries. The value of exported book continually growing while in-house was declined (see figure 3). The substitute products are high such as E-book, Kindle and iPad. The rivalry between competitors is quite high such as price war, promotion, and location of stores.

Figure 3: Total value of UK sales publishers between 2007-2009

Figure 4 shows the competitor analysis of books retail, we defines iPad, Kindle and e-book reader as the competitor of the industry. The growth, position, capability and strategy from the competitors are quite strong since these kinds of products are concerned about technology. However, high

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pricing of products is the most weakness because some of consumers may not afford this kind of special books. The main factors from USA that affect to UK book industry would be the Electronic book or equipment. The American iPad that will launch the second version in March 5th, 2011 in the U. S. (Apple, 2011) is one of the most factors that will affect UK book industry. Since iPad can offer e-book that consumers can read online without buying books. Moreover, UK publishers' sales of digital books in 2009 were over £150 million that increased about 20% in 2008 (PA, 2011). The second factor is the E-commerce. This factor mainly impact to bookstores as the trend of buying goods from the Internet continues increasing. However, some of bookstores also offer buying online but they also have to compete with Amazon or even the like eBay. Moreover, there are 14% of customers purchase books via the Internet(PA, 2011). While prices of book in US may not that different that much, even if the USD currency will be weak but customer who want to buy books form USA have to concern about transportation price. Not only for USA, but also inside UK itself as well-known Kindle from Amazon, the can reduce consuming paper books. All of these factors will be cannibalized between papers books industry and digital books.

Figure 4: Competitor analysis of books retail industry

## Question 2

The mains competitors in Book retail industry are 4 main types; the first one is the traditional bookstore such as Waterstone's in London following by non-store or online bookstore like Amanzon. com or Bookstore. co. uk. E-Book can also be the challenge rivals since the trends of E-reader such as Kindle or even iPad from Apple. Finally, supermarket or general stores are the

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competitors among the industry since customers can buy books or newspaper in the stores. Figure 5 shows how of competitors were positioned in term of places where customers can buy and product ranges of books.

1. Bookstores or traditional way for buying books is the importance competitors in the books business. They offer wide ranged of books, and also carried out the coffee shop or extra services inside such as gift certificates to attractive customers. Moreover, they also offer online shopping to compete with online bookstores.

2. Non-bookstores/online bookstores are the major rivals in the industry, as research said that about 14% of consumers bought books via the Internet. Moreover, the online bookstore also offers services such as gift wrapping or shipping to other people that customers can save their time for shopping themselves. Additionally, the ranges of books such as in Amazon are broaden same as the specialty store like traditional bookstores.

Figure 5: The Strategic groups in Book retail industry

Source: Adapt from Johnson et al, 2008

3. E-book or reading book-online is another competitors in the books industry. As can be seen that only paper-books that publishers offers to customers but also online vision and mostly the price of E-book are usually cheaper due to it does not require for paper cost. However, the ranges products are not that wide once compare with bookstores.

4. General store or supermarket is the stores that provide limited books ranges because supermarkets mainly provide wide categories of food and daily life products. Books are only the optional products in to add more sales.

General store are mostly weak for both key and secondary success because it mainly focus on food more than books while purchasing from the Internet such as Amazon. com is almost strong in every factors. However, brand recognition may place in average because some of websites are offered quite limited. The specialty store like bookstore is also having strong competencies. They can provide varies of products and have brand recognition, but some of bookstores may not offer buying books online. Finally, E-book is having strong brand recognition and quality of service due to concern with technological devices that usually company will guarantee the products.

Figure 6: Competitive grid of book retails industry

Source: Adapt from Aaker, 1998

Key success factors: Low cost of transportation is the key success driver for buying books online because if customers can get the same price with the store they can stay home and get books. However, having short (books) product life cycle i. e. newspapers can be the main success factor of general store segment since consumers are mainly come often to buy foods then they can may take magazine as the optional. For bookshops, marketing and consumer loyalty are the key success factors because if consumers have loyalty to store they will repurchase again with the support of store's promotion. Lastly, E-books should provide consumers cost effective because

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it does not concern about paper cost moreover, the creativity also can help E-books are more interesting(see table 1).

Table 1: Key success factors

Mobility barriers of the strategic groups(see figure 7)

1. Bookstores: The growth of the Internet such as buying books online is the most barriers of bookstores. Although, lots of them also provide shopping online to service customers but the cost competitive advantage is less than online bookstore such as Amazon. Moreover, the E-book and Technology equipment in such Sony E-book turns into fashionable with regular readers the business model of paper book business appears hopeless. Moreover, the bookshops may face with the liability problems such as the location for the stores(A. Aaker et al, 2010).

2. Non-bookstore/online bookstore: Due to the payment system is the one of the barriers since shopping online is not allow to pay cash but require credit card or Internet banking. While some of people especially elderly who is not get use to this type of payment as well as the security of payment also another concern. Moreover, buying online customers have to response for the shipping cost while at the bookstores customers can pay at the same price for books without extra cost.

Figure 7: The Mobility Barriers in Book retail industry

Source: Adapt from Johnson et al, 2008



3. E-book: It needs to connect with device or special equipment such as Kindle or Sony E-book, then customers should buy an extra devices.

Although, customers can read via their computers but they are not that convenience for customers to carrying laptop every time once they want to read books. In addition, the ranges of books are not that wide especially, the old valuable books that may not available as E-book yet.

4. General store: the several and costly level in the books supply chain begin with writers, representatives, publishers, bookstores, customers and end consumers can expensive once compare with E-books. Limited range of books also another concern because general stores mainly focus on foods or daily life products than books. Moreover, in term of shelf space is also limited.

In the next five years, these kind of factors and barriers as mentioned would be most likely the same or similar. It may be because bookstores retailing will compete with price and marketing war to gain more market share and profit. Moreover, the trend of IT (Information technology) is continue increasing as can be seen from the percentage of customers who purchased books via the Internet. Another thing is the creativity of new technology device that compete in the books retail industry. E-books may have limited function for reading only books while Kindle, customers can surf the Internet. The iPad, particularly can be both e-book and Netbook at the sametime. Thus, the book retail industry should find the proper and new strategies for compete with the challenge from the technological devices.

## Question 4

The achievement of Kindle from Amazon is based on three factors, including eBook contexts, a net platform sustaining the contexts, and the device's professional design. Moreover in 2010, Kindle 3 reportedly has been sold around 8 million pieces (Calling all geeks, 2011). In the eBook marketplace, it is the first situation that has been able to productively realize an ecosystem close to iPhone. Additionally to resolve concerns related to the contents such as, including copyrights, another significant achievement issue is the technique of delivering the contents. Instead of using computers sync download; Amazon chose supplied the stuffing in real time using the network of Sprint, building a new customers experience (Info Edge, 2008). Moreover, the trend of E-book is continuing growing as in figure 8 shows the growth of sales of eBooks.

Figure 8: The growth of eBooks share between 2002-2010

Source: <http://tommytoy.typepad.com/tommy-toy-pbt-consultin/ecommerce/>

However, some of customers may realize that Kindle does not meet their needs such as some research stated that If doctors require a shade display to view photos, they ought to be able to do so from other computers outside their test room. Moreover, they stated that where Kindles are not good for interface with patients, such as to display a process or show a video. They tend to be much slower than iPad or full-fledged Windows tablet personal computers, and the lack of applications that can put many a surgeon wanting (Mobile redirect, 2010). In term of segmentation, the Kindle and iPad

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are not accurately targeted group at the same customers segment, but mostly. Because iPad can be both Netbook and E-book reader so it has to build for itself a new category (Calling all geeks, 2011) while Kindle can be mainly for E-books. However, they both are the main rivals for each other.

## **SWOT Analysis of Kindle**

### Strength:

**The position and Marketing:** Amazon itself has already improved a beneficial market that started with tons of books and at the present including a variety of goods categories from music, video and beauty goods (Ascoli et al, 2011). Thus customer can easily recognize a new product Kindle from Amazon quite easily. However, iPad can have this kind of strength too because Apple Inc has the alliance and distribution channel and expert about technology electronic devices.

**Collaboration with the Sprint:** By having the agreement with Sprint to use its information network, Kindle customers can obtain online access from everywhere, not only from Wi-Fi hotspots. This allows users to surf and buy books on their demand that are downloaded and installed straight to the Kindle (Ascoli et al, 2011). However, Apple also has alliance with Verizon and AT&T in the US that customers can use Wi-Fi.

Picture 1: Kindle and iPad

Source: <http://www.laptopshop.co.uk/>

**Weakness:** Kindle may have problem competing with competitor in regards to existing engineering the e-book reader's challenge. Like most of the rivals,  
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Amazon Company trapped with the technology called "E-ink" to succeed the paper-feel for customers feeling for a real book. In addition, a major criticism of the Kindle is the interface design that consumers have discovered to be somewhat cumbersome. The page-turning switches of Kindle have been of particular irritation because it is hard to handle the device lacking unintentionally hitting one of bottoms. Thus, Kindle is depending on its content to overcome challenging hardware manufacturers (Ascoli et al, 2011). Another thing is the screen of Kindle is lack of colorful like iPad does.

Opportunity: Kindle from Amazon entered the e-book reader marketplace at a comparatively early period; few other strong rivals exist, and none of them have been extremely achievement. Therefore, Amazon not only has the chance to rapidly set up itself as the marketplace as a leader but also faces the challenge of persuading buyer support. Amazon's DRM method provides a chance to influence its present benefit in media allocation into long-term productivity in hardware sales (Ascoli et al, 2011).

Threat: The current advantages in distribution of Amazon are not automatically sustainable once compare with iPad that customer can buy both online and at the stores. Amazon's reputation can consume time for rivals to match, but lesser prices paired with parallel service can complete this over time. Besides the threat posed by rivals, a important network of e-book plagiarize could arise (Ascoli et al, 2011). Especially iPad from Apple seems like can provides more in term of applications and function (see appendix).