

Industry analysis book publishing in united states essay sample

[Media](#)



**ASSIGN
BUSTER**

Do you want to better understand an industry? Are you considering to start a new business or take over the company? Do you want to diversify your activities and enter new markets? But you do not know how difficult it will be to keep them? Porter's 5 forces analysis will help to understand the market where you are targeting or going to work. Not all markets, industries and sectors are the same. In some access to the materials is simple and they are cheap, easy to enter the market, and customers are pushing the doors and windows. In such markets, companies are relatively easy to get a high margin on sales, and thus maintain high profitability. In other markets, the competition is fierce – access to raw materials can be difficult, it may be difficult to get a reasonable share of the market, customers can be very demanding.

In such markets, companies are often faced with high costs and low prices, and it is difficult to obtain satisfactory margins. In such markets, companies must constantly fight to stay afloat. If you are considering to start a new business, diversification of activities, buy or invest in an existing business, Porter's 5 forces analysis is a great tool by which you judge the difficulty of the market in which you compete. On the other hand, if you act on the market, the same analysis will show you the competitive context in which it is located. If you understand the forces which influence the market situation in your industry, you can develop strategies which will help you gain a competitive advantage and increase profits. Porter 5 forces analysis is to examine the competitive market in five dimensions:

1. Competitive force in the market competition

The intensity of competitive rivalry is the first force in Porter's 5 forces
<https://assignbuster.com/industry-analysis-book-publishing-in-united-states-essay-sample/>

analysis which analyze “ market difficulties”. In a highly competitive, market where companies compete with each other about the customer, margins are usually quite low. It should be noted that competition can take place not only on the price level. Companies can also try to gain advantage by: mention your product from others, creating a relationship with customers, creation or use of new, non-standard distribution channels, price competition. The intensity of competitive rivalry is varying in different markets. The market competitiveness is more and more intensive if we can find on the market some of the following elements: * a large number of competitors

- * low market growth
- * high exit barriers
- * low switching costs for the customer
- * the strategic nature of the market
- * the low level of product differentiation
- * high fixed costs

2. Bargaining power of suppliers

We take into account the bargaining power of suppliers in Porter 5 forces analysis. Every company which operate in the market, must acquire materials and services, which create its production. If the bargaining power of suppliers is strong, they can impose high prices and take same part of the margin which is achieved in the market. The bargaining power of suppliers is high when:

- * number of suppliers in the market is limited
- * suppliers can threaten the omission customers (contractors) and sell goods directly to end-customers
- * switch costs are high

The bargaining power of suppliers is low when:

- * suppliers are fragmented and there are many of them
- * the products offered by suppliers are uniform
- * companies can become a suppliers by starting their own production and channel to find and distribution resources

3. Bargaining power of buyers

The next strength of the market in Porter's five forces analysis is the bargaining power of customers. When it is high, buyers can have an influence on the price level. The bargaining power of buyers is high when:

- * the number of buyers is low or they are organized into groups which do the shopping together
- * the products in the market are similar and customers do not care from whom they buy goods
- * end-customers are able to get access to the product from another source

The bargaining power of buyers is low when:

- * buyers are fragmented or they are unable to coordinate their purchases
- * the omission customers (contractors) and sell goods directly to end-customers
- * switch costs are high

4. The threat of substitutes

The threat of substitutes is another strength of the market analyzed in Porter's five forces model. If the product, which is offered on the market, can be replaced by something else (e. g. butter and margarine), than companies in the market are competing not only against themselves but also with firms

which produce substitute. Market price of the product is limited by the level of prices of substitutes. If the level of the customers' satisfaction moves in favor of the substitute, customers will choose a substitute. While we analyze the market, we should consider on the threat of substitutes, their prices, switch cost and trends in the markets. 5. The threat of new entry

The final strength of the market in Porter's five forces analysis is the threat of new entry into the market. The easier is for new competitors to enter the market, the more of them are on the market and the larger level of competitiveness between each other. The threat of new entry into the market is inversely proportional to the entry barriers and directly proportional to the profitability of the market. If we look at the threat of new entry into the market, we have to define and evaluate entry barriers. The higher they are, the less threat of new entry into the market. The most common entry barriers are: * capital requirements

- * economies of scale

- * know-how

- * legal barriers

- * product differentiation

- * switching costs

Now we have theoretical basis and we can make Porter's five forces analysis for one selected industry. Analysis based on Porter's five forces model

The aim of this paper is to analyze the selected industry and attempt to answer for the question: why companies in this sector are more competitive than others. Analysis of competitiveness can be carried out at three levels:

<https://assignbuster.com/industry-analysis-book-publishing-in-united-states-essay-sample/>

macro (national competitiveness), meso (industry competitiveness), micro (firm competitiveness). In this case, we use Porter's five forces model, so particular attention is paid to factors which are assigned to meso level. Hence, the objective of this part is to understand the extent to which profitability levels of the industry can be explained by the industry structure. Next part of the paper focus on the potential impact of the financial crisis on the industry structure and try to predict changes in profitability levels of the industry. If we look at the statistics, we can include pharmaceuticals, household and personal products, computer software and services, media, commercial services, semiconductors, healthcare equipment and services, food, beverages and tobacco, hotels, restaurants, leisure, technology hardware and equipment, automobiles and components, capital goods, food retailing, customer durables and apparel, retailing industry to the group of the most profitable industry. The strong position of each of these industries depends on other factors. In this paper, we look in particular factors which affect on the media industry.

However, the media industry is really large and we can divided it into sectors: Broadcasting & Entertainment, Media Agencies and Publishing. We focus on one sector - Publishing industry. If we want to checked the position of this sector in profitability statistics, the return on invested capital between 1992 - 2006 is 13, 4% for Publishing industry and profits as % of revenues in 2007 is 7, 9%. We can said that the average profitability of the Publishing industry in the past 20 years is at the level of 5%. Now we consider what is the reason of this situation. Firstly, we need a well-defined industry. The definition has a major impact on the further analysis, because it defines the

<https://assignbuster.com/industry-analysis-book-publishing-in-united-states-essay-sample/>

scope of activities of the companies, products and their substitutes, and who are customers, suppliers, competitors. So if we look at the Wikipedia definition of publishing, we would see: Publishing is the industry concerned with the production of literature, music or information—the activity of making information available to the general public. Traditionally, the term refers to the distribution of printed works such as books and newspapers.

With the advent of digital information systems and the Internet, the scope of publishing has expanded to include electronic resources, such as the electronic versions of books and periodicals, as well as micropublishing, websites, blogs, video game publishers and the like. Publishing includes the stages of the development, acquisition, copyediting, graphic design, production – printing (and its electronic equivalents), and marketing and distribution of newspapers, magazines, books, literary works, musical works, software and other works dealing with information, including the electronic media. This definition is very broad. The analysis of every aspect which are mentioned in this definition, will be very long and there is a problem with the date connection with the newest form of publishing activities. This is the reason why the scope of analysis has to be narrowed. In this paper, we focus on one of the activities in the publishing industry namely book publishing. Book publishing is defined as a legal agreement set forth by an author and a book publisher to produce and distribute printed works, in particular books, to the general public. The publisher is responsible for the getting a book on the market through various promotional channels, and the success of its sales.

Now we have precisely define the analyzed industry. Due to we can start the deeper analysis of it on the industry structure level based on Porter's five forces model. In this part we focus on classical model of publishing business which underwent evaluation after last financial crisis. In addition, we narrow down the geographical area to the U. S. market, due to the difficulty in obtaining data from other geographic areas. 1. Competitive force in the market competition

When we consider the book publishing industry, publishers are major players in this market. We define publisher as individual or corporation responsible for the printing and distribution of digital or printed publications. Publishers also handle the marketing efforts for the publications and usually are not the creator of the material. Publishers simply serve as the intermediary between the author of the publication and the consumer market. It is estimated that there are about 2, 650 publishing houses in the U. S.. We can distinguish six largest and most famous. These are: Hachette Book Group, HarperCollins, MacMillan Publishers Ltd, Penguin Group, Random House, Simon & Schuster. Each of them also has a network of smaller publishers who works under his supervision. The statistic shows (appendix 3) that about 40% of the market is dependent on the " The Big Six" and 78% of the market depends on the 50 largest companies in the industry. Most books are published by a small number of very large book publishers, but thousands of smaller book publishers exist. What is more, many small-and medium-sized book publishers specialize in a specific area.

The book publishing industry can be divided into four sectors: * Consumer publishing (trade publishing) – covers both fiction and non-fiction book written for the general audience, * Educational or school publishing – this category consists mainly of school textbooks and related materials, covering all levels from nursery to college (post-school) education, * Academic publishing – this sector includes both academic monographs and textbooks for university-level and above, * Business and professional publishing – fields such as legal publishing and more practical technical works are included in this sector, as well as “ general management” books, Two other categories are sometimes also considered as significant enough to separate out in statistical analysis: children’s books and religious books. Where these are not separated out, children’s book are usually considered part of customer publishing and religious books as educational. There are many publishing firms (including medium-sized firms) with business activity in two or more, or even all four of these sectors. The level of competitiveness in the book publishing industry is very high. About 35, 000 books are printed in the United States every week. If we compare it to a year we get a huge number of published books. If we look at the data about the number of new titles published, it continues to grow. In 2002 the number was 247, 777, and in 2008 it was doubled.

2. The bargaining power of suppliers

There are two main inputs to this industry. Mainly labor and printing materials like ink and paper. There seems to be many suppliers, none with a substantial amount of power because of the commodity like products being sold. Suppliers seem to be spread out. In general, suppliers to the publishing

<https://assignbuster.com/industry-analysis-book-publishing-in-united-states-essay-sample/>

industry do not have much power. Publishing is a saturated industry with an abundance of willing and experienced laborers along with numerous sources to acquire raw materials. The concentration of suppliers is not that significant in this industry. There is not any real substitute for labor and the same can be said for paper and ink. We can assume that technology has some impact on the availability of substitute supplies.

Innovative printing materials will increase efficiency or decrease price. Also, technology may in some instances, replace workers. The Internet is also changing the dynamics of the industry. As the Internet becomes more popular the need for printed material may decline, and may help increase profit margins for publishers by cutting out some of their printing needs. The availability of substitutes is slowly increasing in certain areas as technology advances. Paper and ink suppliers do not rely heavily on the publishing industry for a majority of their sales. Yet, publishing is connected with the printing industry which does represent an important industry for the paper and ink suppliers. Therefore paper and ink suppliers both directly and indirectly rely on the publishing industry. The switching costs are moderate, both for labor suppliers and raw materials; more so with the materials than the labor because the labor force is more flexible and can learn a different trade. The threat of paper and ink producers becoming publishers is very unlikely. They are two very different industries and it would make little sense to cross over.

3. The bargaining power of buyers

Most people think that the reading books is disappearing activities. We often

hear that young people do not read. However, the statistics contradict these statements. 56% of young people declare that they have read 10 books during the year. Appendix 4 shows that 38% of adults read more than 5 books a year, 14% read 5-10 books, 25% read 10-50 and 6% more than 50 books. Only 16% do not read books.

The potential number of customers is very high. But their force is low. Books are mostly sold individually or in small quantities directly to the end-customer, because the power of the buyer is low. Books are relatively inexpensive. It makes them an easy purchase for most people, but the books quality of contents is extremely important to its success.

The bargaining power of buyers is also created by the government. The government decide about the education system in the country. If education is on the high level, than the demand for educational and academic books is high. The better educated society, the greater need of acquire the knowledge which can be gain from book and the more people appreciate literature.

4. The threat of substitutes

The threat of substitutes is very high. Why? Firstly, the price is not often encouraged to buy the book. And the reading a book takes a lot of time. The biggest threat to the books are movies. Especially those which are based on them. If you go to the cinema, you will pay less than for the book of or if you watch in television or online, it is for free. What is more, you watch a movie maximum by 3 hours. However, it is difficult to say that the movie gives the same satisfaction as the reading the book. It is difficult to identify with the

<https://assignbuster.com/industry-analysis-book-publishing-in-united-states-essay-sample/>

movie characters and they seldom become our friends what often happens with the book characters. In addition, many parts of the story are omitted, due to the time constraints.

Next substitute is audiobooks which are voice recordings that you can listen to rather than reading the text of a book or other type of publication.

Audiobooks can be an exact word-for-word version of a book or a shortened (abridged) recording. Audiobooks are a substitute with the similar price range as printed books. It may be an advantage that someone is reading a book for listener, but they must be people who can fully concentrate on spoken content. For those people who are visual remember, it can be difficult to understand the context from the oral form. In addition, it is boring for young people, and they prefer to listen the music than recorded books. When it comes to older people, audiobooks are relatively alien and impractical for them. People who like reading printed books, the feeling of book in hand is priceless and cannot be replace.

The last substitute, which should be mentioned are magazines and newspapers. They are short, cheap, interesting. We can learn something different from them every day. Many articles are very addictive. However, it is difficult to determine whether the one-time short stories are able to give us the some level of satisfaction such as intricate, confusing and mystery story.

Many people will tell that the substitute for books are e-books. However, I will not write about them here, because later I'll try to explain that e-books are a new form of book publishing.

<https://assignbuster.com/industry-analysis-book-publishing-in-united-states-essay-sample/>

5. The threat of new entry

If we look at the number of market participants (2.5 thousand), the entry is not difficult. If you want to be a small-or medium-size publisher, the costs which are associated with creating your own business, are not large and the legal formalities are very simple. You pay for a permit to business activities, registration and ISBN number (total costs are around \$ 200). Other costs are related to the process of publishing books, so you pay for editorial and design services, printing (one-time \$ 50-100), marketing, distribution, and commission for the author (10-15%). However, if you make a good market analyze, you can find a perfect option for you (for example, reduce the costs of editing or design by employ freelancers). In addition, you should set up a website which shows you in the market and makes your brand position stronger. In general, the cost of publication and distribution of books one piece is about \$ 5, the rest part of the price is created by competitors in the industry.

It is really hard (practically impossible) to become a leader in the market by the new company. It is related to the strong position of the current major players in the industry. Although there is always the chance. If the new company find and publish a book, which becomes a bestseller, it will achieve a high brand position (e. g. the Scholastic has become one of the top 10 publishers in America after the publication of the Harry Potter books). In this case, everything depends on good luck.

When it comes about the product differentiation, we can say that each book is a unique product. But it's hard to understand which factor affects on

selling the book. The inviting cover, interesting and mysterious review on the back, good recommendations are very important. The product is unique, but the customer has never know the product value until he/she read the book. What is more, books are more looked upon by their subject, content, and reviews. People focus less on who publishes the book and more on what it contains and who the author is. Because of this it is not too difficult to penetrate the book market. It also depends on the sector. It is easier to publish a successful cook book than it would be to publish a High School level text book.

The access to distribution channel is relatively easy. Currently, books can be purchased at many places: in hiper-markets, in shopping centers, bookstores, antique shops, small private shops. The books are all around us. In additional, there are still other channels for selling books such as the internet which is becoming more important as more people become connected to the World Wide Web.

Potential impact of the financial crisis and predictions about profitability levels. The book publishing industry was very stable and profitable business for a long time. However, the financial crisis had appeared and had a big impact on this industry. Market participants were faced with serious financial problems. Firstly, production costs of traditional books started to increase. Sequentially population's income was declining. Consequently sales decreased and a problem with the storage of unsold products became more and more extensive. Publishers also faced with the challenge of making the industry more environmentally friendly. In addition, external factors had a

significant impact on the industry. The continuous development of technology, the launch of the iPod, iPhone, Tablet, development of the Internet opened a number of new opportunities for the public society. Therefore, the publishing industry needs to adapt to the new reality. The biggest changes had been introduced in the book publishing industry were two new models of publishing. The open of web platform LULU was the first step.

The process of the publication by the platform is simple. Firstly, the author is writing a book. When the book is finished, it is recorded on the platform. The writer gets an access to all services provided by LULU. Next, the book is edited and prepared for publication and after this activities it is published on the platform. Customers can immediately see a sample of the book and make their orders. If this happens, LULU sends the book to the printing house and later to the client. The author gets some part of the profits from the sale. The books published by the online platform is called self-publishing now. This model is used by the authors more and more often, because it makes the cost of publication lowers and process time shortens. We can say that thanks to digitalization of production, the publisher is excluded from the classical model of the book publication. In the same time, one new service was developed with this model. It is a print on demand (POD) which we can define as a printing technology and business process in Which new copies of a book (or other document) are not printed until an order has been received, Which means books They can be printed at a time.

While this build order has been an Established business model in many other industries, “ print on demand” developed only after digital printing Began, because it was not economical to print single copies using traditional printing technology as letterpress and dry offset printing. Many traditional small presses (publisher with annual sales below a certain level. Commonly, in the United States, this is set at \$50 million, after returns and discounts]. Small presses are also defined as those that publish an average of fewer than 10 titles per year, though there are a few who manage to do more.) have replaced their traditional printing equipment with POD equipment or contract their printing out to POD service providers. Many academic publishers, including university presses, use POD services to maintain a large backlist; some even use POD for all of their publications. Larger publishers may use POD in special circumstances, such as reprinting older titles that are out of print or for performing test marketing.

The second publishing model appeared in the market is ebooks (a book-length publication in digital form, consisting of text, images, or both, and produced on, published through, and readable on computers or other electronic devices). With the development of technology, it is possible to download books from the Internet without leaving the house and do the shopping in the store. The process of publishing the ebooks is following. Traditionally at the beginning the author writes the book and sends it to a publisher who have a plan to publish it in electronic form. Publisher has a contract with the company which provides the necessary software for this task. Ebooks appears on the Internet and there the book can be bought by the customer. Typically, books are published in two versions: traditional and

<https://assignbuster.com/industry-analysis-book-publishing-in-united-states-essay-sample/>

electronic, but recently more and more popular become the introduction of the book by publishing ebook. In this way, publisher can predict the level of interest of the potential customers.

The big advantage of this model is a possibility to reduce the costs. If the book is published as ebook, the publisher will not have to pay the printing, distribution and storage of printed copies costs. What is more, this situation is more friendly for environment, because the books are not carried on board. The publisher pays usually the one times fee for the software. With the growing interest in ebooks, two new models of publishing have been combined by the creation of the Kindle platform by Amazon and competitive Nook platform by Barnes & Noble. Due to this phenomenon, there is created a direct relationship between the author and reader of books. As a result of the financial crisis, much things has changed in the book publishing industry. Now we will try to analyze what changes have occurred in the structure of the industry as a result introduction of new processes. 1. Competitive force in the market competition

Considering the number of competitors in the market that there are many more than ever before. It is estimated that there are currently around 25,000 publishers. This is due to the fact that thousands of authors have created their own publishing companies, and self-published works their own. When it comes to leaders in the traditional book publishing industry, “The Big Six” is still unchanged. The only thing that has changed is the ownership of companies, which can have a influent on future changes in business strategy. In additional, to the group of the leaders we can add Amazon and

Barnes&Noble as retailer and publisher in one institution. More than 70 percent of ebook buyers use the Amazon. com store to buy ebook titles, an increase of 60 percent between 2009 and 2010. For the second quarter of 2011, Amazon reported revenue growth of 51 percent to \$9. 91 billion, of which \$5. 41 billion was in the US (\$4. 51 billion in Europe). Amazon’s Kindle store currently offers 950, 000 ebook titles, of which 800, 000 cost \$9. 99 or less; 110 of the 111 titles on the bestseller list of the New York Times are available as ebooks for the Kindle.

The second major player in retail, and the strongest competitor to Amazon, is Barnes&Noble (barnesandnoble. com or BN. com), with more than 2 million ebooks available. Although BN. com’s total revenue increased by only 2 percent to \$1. 42 billion (first quarter ending July 2011), its digital content and devices (Nook) segment grew 140 percent and represented 19. 5 percent of total sales. With an investment from Liberty Media of \$204 million, Barnes and Noble announced plans to become the leading bookseller in the US. The strong position has also Apple’s iBookstore and iTunes. The market clout of retailers such as Amazon will affect traditional publishing. Through the Kindle, the Amazon website, and other assets, Amazon has come to collect massive amounts of data mirroring user patterns and buying preferences, allowing further customization of the user experience.

Amazon has also enhanced its portfolio by acting as a publisher through its Amazon Encore program. First examples like that of crime writer J. A. Konrath and romance writer Amanda Hocking illustrate how self-publishing via Amazon Encore and Kindle is radically changing traditional sales and

marketing strategies in publishing. Midlist writer Konrath published his novel *Shaken* in October 2010, first as an ebook, which sold 130,000 copies by February 2011, when the novel came out in print format. Konrath's use of Amazon Encore turned the Amazon community with its user-generated reviews into an effective marketing channel. Likewise, Hocking self-published her romances as ebooks, selling them via the Kindle, allegedly at 100,000 downloads per month. Both authors charge between \$0.99 and \$2.99, with a return of about 70 percent of the list price. The large number of "copies" sold – presumably not possible in print format – can turn a midlist author into a high earner. The level of competitiveness in the book publishing industry is more and more strong and high.

2. The bargaining power of suppliers

In the case of the traditional book publishing model the bargaining power of suppliers is at the same level or is even weaker. This is due to lower demand for paper and ink. What is more print on demand has many advantages. Print on demand with digital technology is used as a way of printing items for a fixed cost per copy, regardless of the size of the order. While the unit price of each physical copy printed is higher than with offset printing, the average cost is lower for very small print runs, because setup costs are much higher for offset printing. POD has other business benefits besides lower costs (for small runs): * technical set-up is usually quicker than for offset printing, * large inventories of a book or print material do not need to be kept in stock, reducing storage, handling costs, and inventory accounting costs. * There is little or no waste from unsold products.

These advantages reduce the risks associated with publishing books and prints and can lead to increased choice for consumers. However, the reduced risks for the publisher can also mean that quality control is less rigorous than usual. A significant number of organizations and companies can now supply books in electronic formats (“ebooks”). They represent different types of professions: commercial booksellers, commercial publishers, commercial ebook websites intended to sell content for particular devices, some publish free content or archive copies of out-of-copyright works, and some are conduits or aggregators acting on behalf of publishers or independent content providers.

3. The bargaining power of buyers

As previously the potential number of customers is very high. But their force is very low. Since ebook has appeared on the market, more and more people buy the electronic form of book than printed versions. Why? It is cheaper (many ebooks cost less than \$10), simply available, and young people can use new technology and become a member of e-readers society.

4. The threat of substitutes

Substitutes are the same as before. In their structure and impact, nothing has changed.

5. The threat of new entry

The entry on the market is easier than ever. Since the launch of the possibility of self-publishing, the new competitors can publish books with a minimum of cost requirement (only costs of registered on the web portal).

This is a reason that the level of threat of new entry increases. What is more,

<https://assignbuster.com/industry-analysis-book-publishing-in-united-states-essay-sample/>

the actual market participants should take care about their brand position and do more competitive activities. If we consider ebook market, it is relatively young, so everything can happen. But it can be hard to become a serious rival for market leaders. Especially since most market analysts expected that Amazon can be a future major leader in all book publishing industry (recently the company bought a printing house), if it manages to expand its business activities in the current rate. Other factors are the same like before. The technology development makes the access to distribution channels easier. We have already known the classic model of book publishing and the changes in the industry after the financial crisis. We analyzed its structure. Now we can think about the future. Conclusion

The Gutenberg era is not about to come to an end. Printed books will still exist. After television, we still have cinema and radio. There is no need to fear that bound books will only be found in museums, connoisseurs' collections, and in antique markets, or considered curiosities the same way we now view eight-track tapes. The book industry that we know and understand today will continue to thrive, but it will be transformed by eBooks and eReaders. In coming years, printed books will still account for the majority of sales. Technology may change rapidly, but people's habits do not. People will continue to want books to fill their shelves, give as gifts, and place on their bedside. But make no mistake - modern reading devices such as the Kindle and iPad mark the beginning of a digital transformation, and the book market has taken its first, irreversible steps into new territory. Referring to the question from the beginning of the analysis: Why the book publishing industry is more competitive than others?

<https://assignbuster.com/industry-analysis-book-publishing-in-united-states-essay-sample/>

The book publishing industry in the U. S. is large business. In this market turns billion \$. The annual revenue of the business is approximately \$ 28 billion. Average profitability is at a level of 5%. How can we explain this situation? It is difficult to answer this question based on Porter's five forces analysis. The competition in the market is high. The bargaining power of buyers and suppliers relatively low. The new entry on the market is not difficult. The threat of substitutes is on high level. We can say that it is not worth investing in the activities in the book publishing industry on the basis of this analysis. Porter's five forces model cannot give us an answer for several reasons. This model was created to analyze the main traditional industry. It is suitable for the analysis of a single market, similar or related products. Its usefulness in the analysis of the entire sector of the economy or a wide range of products is negligible. Porter's five forces model has been designed for static markets in which the structure is relatively stable. The results of analysis are moderate if we focus on the new technology markets where competitive positions change very rapidly with every new invention. Porter's five forces analysis is often extended by an analysis of strategic alliances occurring in the market. Strategic alliances significantly change the competitive situation. With the rival alliance, the company may have access to cheaper materials or for specific markets or sales channels.

It can also conduct a marketing campaign together with another product. Strategic alliances can also act as a strong barrier to entry for new competitors who do not have access to the suppliers and other partners. In addition, it should be noted that Porter's five forces model is only an initial regimen used in the analysis of the market, facilitating ensure that important

<https://assignbuster.com/industry-analysis-book-publishing-in-united-states-essay-sample/>

aspects of the market analysis have not been overlooked. Full analysis of the market should be much deeper and take into account the specific events that occur on it. If we want to answer the above question, we need to analyze also the micro and macro level of the company environment. I think that external factors and the value chain of publishers company have a major impact on the position of the industry. The future is difficult to predict. The book publishing industry has changed a lot in recent years. The data from previous years are not available for the public, so the prediction is more difficult. We can only hope that the demand for books will continue to grow. If Publisher will take the benefit from the new technology, they should gain huge profits (looking at the current situation of Amazon). What is more, the traditional model of publishing will disappear with time probably and become the history. We can have hope that it has never happened, because the feeling of reading a new, freshly printed books cannot be replaced by its electronic form.

Bibliography

1. Hollensen, S., Global marketing: A decision-oriented approach, 5th edition, Pearson Education Limited, Italy, 2011, ISBN 978-0-273-72622-7.
2. Publishing Market Watch, Sector report 2: Book Publishing, 2004, (access 12. 02. 2013), < http://ec.europa.eu/information_society/media_taskforce/doc/pmw_20050127.pdf>
3. Who is "The Big Six", published on 05. 03. 2010, Fiction Matters, (access 12. 02. 2013), < <http://www.fictionmatters.com/2010/03/05/who-are-%E2%80%9Cthe-big-six%E2%80%9D/>>
4. The History of Publishing 2010-

<https://assignbuster.com/industry-analysis-book-publishing-in-united-states-essay-sample/>

2020, published on 04. 01. 2010, Fiction Matters, (access 12. 02. 2013), < <http://www.fictionmatters.com/2010/01/04/the-history-of-publishing-2010-2020-1>> 5. Monteiro C, How to start a home publishing company?, Small Business, (access 12. 02. 2013), < <http://smallbusiness.chron.com/start-home-publishing-company-4789.html>> 6. Hose C, How much does it cost to start a publishing company?, eHow, (access 12. 02. 2013), < http://www.ehow.com/info_7959375_much-cost-start-publishing-company.html> 7. Reading statistics, published on 22. 03. 2012, Statistic Brainin, (access 12. 02. 2013), < <http://www.statisticbrain.com/reading-statistics>> 8. List of American Publishers, Publishers Global, (access 12. 02. 2013), < <http://www.publishersglobal.com/directory/united-states/publishers-in-united-states>> 9. Lee T. B., Ignorance and competition in the Book Market, posted on 01. 02. 2010, Bottom-up, (access 12. 02. 2013), < <http://timothyblee.com/2010/02/01/ignorance-and-competition-in-the-book-market/>> 10. Reading on the rise, A new chapter in American Literacy, National Endowment for the Arts, 2009, (access 12. 02. 2013), < <http://www.nea.gov/research/Readingonrise.pdf>> 11. Schisler M., The Future of Publishing, (access 12. 02. 2013), < <http://encyclopedia.jrank.org/articles/pages/1088/The-Future-of-Publishing.html>> 12. Wischenbart R, The Global eBook Market: Current Conditions&Future Projections, 2011, (access 12. 01. 2013), < http://www.publishersweekly.com/binary-data/ARTICLE_ATTACHMENT/file/000/000/522-1.pdf> 13. De Prato G, Simon J. P., The book industry, 28. 10. 2011, (access 12. 01. 2013), < [09. GDepratoMCI2711111bookv32.pdf](http://www.gdeprato.com/MCI2711111bookv32.pdf)> 14. Turning the Page, The Future of <https://assignbuster.com/industry-analysis-book-publishing-in-united-states-essay-sample/>

eBooks, PWC, (access 12. 01. 2013), < http://www.pwc.com/en_GX/gx/entertainment-media/pdf/eBooks-Trends-Developments.pdf>

15. <http://www.thefreedictionary.com/>

16. <https://www.youtube.com/watch?v=PNJ8uZA-x3I>

17. <http://www.monkeysee.com/play/7143-how-competitive-is-the-book-publishing-industry> 18. http://en.wikipedia.org/wiki/Books_published_per_country_per_year

19. <http://en.wikipedia.org/wiki/Publishing>

20. [http://en.wikipedia.org/wiki/Lulu_\(company\)](http://en.wikipedia.org/wiki/Lulu_(company))

21. http://www.bowker.com/assets/downloads/products/isbn_output_2002-2011.pdf

The bargaining power of buyers

* Potentially a lot of buyers

* Sales individually or in small quantities

* Price relatively inexpensive, but it depends on the customer * The most important is the author, content and reviews

* Government impact

Appendix 1.

The threat of new entry

* Capital requirements - average level, but not big costs to set up new firm *

Economic of scale - reduce production costs, increase cost warehousing cost and the risk of losses due to low sales *

Hard to achieve important brand position

<https://assignbuster.com/industry-analysis-book-publishing-in-united-states-essay-sample/>

- * Product differentiation – it depends
- * Access to distribution channels – easy
- * Low legal or regulatory barriers
- * Expected retaliation – depends on sector, economic factors (income of people), generally stable level

The threat of new substitutes

- * Strong risk
- * Movies
- * Audiobooks
- * Music
- * Magazines and newspapers

Industry Rivalry

- * Big concentration of Publisher
- * Many small- and medium-size company and „ The Big Six” * High level of competitiveness
- * Low diversity of competitors
- * Product differentiation depends on sector and customers point of view *

Low exit barriers

The bargaining power of suppliers

- * Low Power
- * Raw materials: paper and ink
- * Many suppliers in the market
- * Switch costs – moderate
- * Paper and ink producer will not become publisher

The bargaining power of buyers

- * Potentially a lot of buyers
- * Sales individually or in small quantities
- * Price relatively inexpensive and ebooks are cheap
- * The most important is the author, content and reviews
- * Government impact

Appendix 2. After financial crisis

The bargaining power of suppliers

- * Low Power
- * Classic model: raw materials: paper and ink, many suppliers in the market, paper and ink producer will not become publisher – less important * Print on demand
- * Software suppliers not many but with good brand position and possibility of alliances * Internet as a distribution channel (cheap)
- * Switch costs – moderate

Industry Rivalry

- * Big concentration of Publisher (a lot of self-publishers) * Many small- and medium-size company and „ The Big Six” * Leader position of Amazon and Barnes&Noble in the ebook market * High level of competitiveness (high price competition)
- * Low diversity of competitors
- * Product differentiation depends on sector and customers point of view *

Low exit barriers

The threat of new entry

- * Capital requirements – low level, self-publishing practically for free * Hard to achieve important brand position
- * Product differentiation – it depends
- * Access to distribution channels – easy, new technology * Low legal or regulatory barriers
- * Expected retaliation – depends on sector, economic factors (income of people), hard to predict * Ebooks are more and more important and competitive

The threat of new substitutes

- * Strong risk
- * Movies
- * Audiobooks
- * Music
- * Magazines and newspapers