

Using Porter's Five-forces Model

In this task, you will use Porter's Five-forces model to help analyze the book publishing industry, based on the information and data presented below.

Summary Information about the Book Publishing Industry

- 10% of books are sold via independent retailers that tend to specialize in a particular genre or prefer specific (not mainstream) books
- 30% of books are sold via large retail chains that only deal in mainstream books, published by large or long-established publishers who also provide promotional dollars to support their books
- 60% of books are sold via the internet (e.g. Amazon) and this is expected to dramatically increase as they increasingly capture the time-poor or budget-conscious market segments
- Book sales have been fairly stable in this mature industry, however they are expected to decline in the future as internet and cable-TV usage increases
- There has been a dramatic increase in self-publishing over the past 10 years, however these books are typically not accepted by retailers and tend to have print runs of less than 1,000
- E-books are now in their early maturity phase of their product life cycle. Their sales are expected to continue to increase over time
- Audible books are increasing in popularity, potentially at the expense of e-books
- Podcasts are now be considered to be a significant competitor to audible books and, as a result, have become an indirect competitor to e-books
- There is an increased number of authors in the marketplace, appearing to be driven by easy access to research material (via the internet) and by the increasing popularity of blogs
- Despite more authors available, there is only a small number of "brand" authors who can attract significant book sales on their name alone
- There is an increasing number of large book publishers, as the larger ones battle for market share by acquiring smaller publishing houses

Student Discussion Questions

1. Assess the book publishing industry using Porter's Five-forces model.
2. What key insights have you gained by assessing this industry using this structured model?
3. Therefore, what is your overall assessment of the attractiveness of the industry?
4. How could a firm use Porter's Five-forces model in their strategy and planning activities?