

Book Publishing Business in Romania – An Analysis from the Perspective of Porter's Five Force Model

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Abstract

The book publishing industry is facing numerous challenges and opportunities resulting from various fundamental forces. An understanding of the forces that are shaping and shifting the competitive landscape is useful not only in understanding the strategic positioning decisions of the firms in this industry, but also in understanding the dramatic structural changes that are currently occurring in the publishing production and distribution sector. We frame this discussion using the analytical concepts of value chains and Porter's Five Forces.

Keywords: *business strategy, book publishing industry, Porter's model.*

JEL classification: L11, L69, L89, O12, O21

Introduction

In 1979, Harvard Business Review published “How Competitive Forces Shape Strategy” by a young economist and associate professor, Michael E. Porter. This paper started a revolution in the strategy field and shaped a generation of academic research and business practice.

To Porter, the classic means of developing a strategy formula for competition, goals, and policies to achieve those goals are antiquated and in need of revision. Porter was searching for a solution between the two schools of prevailing thought - the Harvard Business School's urging firms to adjust to a unique set of changing circumstances and that of the Boston Consulting Group, based on the experience curve, whereby the more a company knows about the existing market, the more its strategy can be directed to increase its share of the market.

The paper aims at carrying out an “x-ray” of the current publishing industry's situation in Romania taking into account the fundamental forces in the Porter Model by highlighting the impact that the characteristics of the editorial market in Romania have on costs, on the potential for development and on the flexibility of the price policy.

As far as we know, this is the first attempt at such an analysis of the editorial industry in Romania, describing at the same time the value chain for the companies in this field.

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The paper is structured into four chapters. The second chapter focuses on the literature review, with an emphasis on the contribution of Porter's five forces model and how the model was used by other researchers. The third chapter focuses on the Porter's five forces model applied to the Romanian book publishing industry. The fourth chapter presents the conclusions of the paper.

1. Literature review

Porter stated that the essence of the elaboration of the competition strategy relies on relating the firm to the environment in which it conducts its business. The company's environment is very complex, comprising both social and economical forces. For a company, the central element of this environment is represented by the sector(s) in which it competes. The structure of a certain sector yields a powerful influence over the establishment of the competition rules. The competition intensity in a certain sector is neither due to chance, nor to bad luck. (Porter, 1980).

Porter identifies five forces that shape an industry: (1) rivalry among existing competitors, (2) threat of new entrants, (3) bargaining power of suppliers, (4) bargaining power of buyers, and (5) the threat of substitute products (Figure 1).

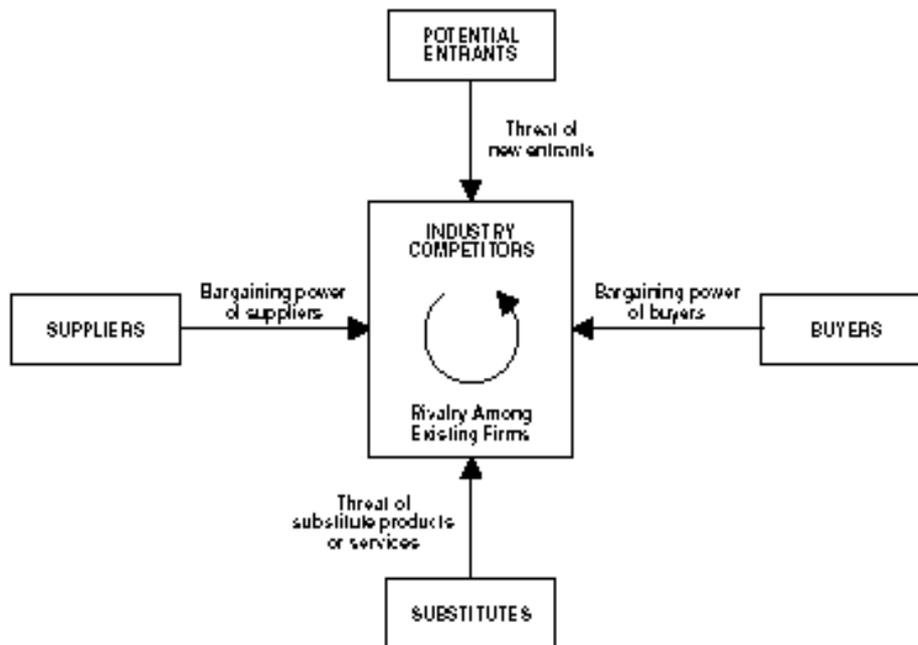


Figure 1 Porter's five forces model

Porter's Five Forces model is a simple but powerful tool for understanding where power lies in a given business situation. Although the strength of each force

can vary from industry to industry, the forces, when considered together, determine long-term profitability within the specific industrial sector.

If the forces are intense, as they are in such industries as airlines, textiles, and hotels, almost no company earns attractive returns on investment. If the forces are benign, as they are in industries such as software, soft drinks, and toiletries, many companies are profitable. Industry structure drives competition and profitability, regardless of the fact that a given industry produces a product or service, is emerging or mature, high tech or low tech, regulated or unregulated. While a myriad of factors can affect industry profitability in the short run – including the weather and the business cycle – industry structure, manifested in the competitive forces, sets industry profitability in the medium and long run. (Porter, 2008).

The configuration of the five forces differs depending on the industry. In the market for commercial aircraft, fierce rivalry between dominant producers Airbus and Boeing and the bargaining power of the airlines that place huge orders for aircraft are strong, while the threat of entry, the threat of substitutes, and the power of suppliers are more benign. In the movie industry, the proliferation of substitute forms of entertainment and the power of the movie producers and distributors who supply movies, the critical input, are important.

The strongest competitive force or forces determine the profitability of an industry and become the most important to strategy formulation. The most salient force, however, is not always obvious. (Porter, 2008).

Porter's framework has been challenged by other academics and strategists. For example, Kevin P. Coyne and Somu Subramaniam(1996), stated that three dubious assumptions underlie the five forces: that buyers, competitors, and suppliers are unrelated and do not interact and *collude*; that the source of value is structural advantage (creating barriers to entry); that uncertainty is low, allowing participants in a market to plan for and respond to competitive behaviour.

Subsequently, other specialists have identified yet other forces besides the five from the Porter model, such as: technology, the government or the complementary products.

In the mid-1990s, Adam Brandenburger and [Barry Nalebuff](#), using *game theory*, added the concept of *complementors*, helping to explain the reasoning behind strategic alliances. The idea that complementors are the sixth force has often been credited to *Andrew Grove*, former CEO of the *Intel Corporation*. According to most references, the sixth force is government or the public. Porter indirectly rebutted the assertions of other forces, by referring to innovation, government, and complementary products and services as "factors" that affect the five forces.

Our opinion is that the academic dispute over the model is ultimately irrelevant – it is a matter of form and a matter of interpreting nuances – the most

important aspect of the problem is the spectacular utility of the algorithm in grasping the major characteristics in a business field

Porter's Five Force Model has been used over time by numerous professionals to analyze a certain branch. For instance, Olsen and Boehlje (2010) have analyzed the fundamental forces affecting agribusiness industries; Boland (2010) wanted to show how can one increase coordination in the plant and plant product processing and handling sector still starting from the Porter model; Lawrence and James (2011) have analyzed the fundamental forces affecting livestock producers, and Buhr and Bruce (2011) have dealt with U.S. meatpacking – dynamic forces of change in a mature industry.

Industry structure grows out of a set of economic and technical characteristics that determine the strength of each competitive force. We will examine these drives in the pages that follow, taking the perspective of an incumbent, or a company already present in the publishing industry.

2. Fundamental Forces Affecting the Book Publishing Industry in Romania

When we talk about the production and distribution of books in Romania, we are talking about a very diverse, turbulent market, one with distinctive features different from the other European markets, which is strongly influenced by forces that are both internal and external to the field.

2.1 The Market Size

The Romanian book market is one estimated at approximately €60 million (not considering the bookstall editions), which places us on the last place in Europe with regard to the book consumption per capita (a Romanian citizen spends, as an average, €4 on books every year). By comparison, Hungary, with a population four times smaller than Romania's, has a three times bigger book market, that is, around €200 million, while Poland has a book market worth €400 million. Not to mention Germany, where the book industry reaches an astronomical €7 billion, or even Italy, with a market of approximately €1 billion. The entire world book market is situated somewhere around \$105 billion, in which 45% represents the European book industry, and approximately 28% represents the one in the United States (Zamora, 2013). According to a Les Echos analysis, 90% of the French people read last year a book a month. On the other hand, according to a national study, only 42% Romanians read a book once a year. Although Romania's population is only three times and a half smaller than that of France, and the GDP per capita is five times and a half smaller, the number of copies from the best sold book is almost 80 times smaller. (Tiron M., 2012).

Beyond the statistics, the biggest problem is represented by the low appetite for reading, to the benefit of the TV and Internet use, and the consequences of this are already visible and they will only grow worse in time.

The fact that the Romanian people are not great readers is also demonstrated by the months in which most books are bought, respectively November and especially December, the main reason for this being the gift giving. The worst period for editors is the summer, even if during the summer there are the holidays, when both children and parents would, at least theoretically, have more time to read. (Iancu, 2012)

2.2 Porter's Model applied to the Publishing Industry in Romania

2.2.1 The Intensity of rivalry between the existing competitors

The intensity of rivalry, which is the most obvious of the five forces in an industry, helps determine the extent to which the value created by an industry will be dissipated through head-to-head competition. The most valuable contribution of Porter's "five forces" framework in this issue may be its suggestion that rivalry, while important, is only one of several forces that determine industry attractiveness.

As far as this competition factor is concerned, the Romanian market is characterized by two fundamental features: on the one hand, it is a "zero-sum market" (which basically has had the following evolution: in 2002 – €40 million, which doubled in 2008, reaching the sum of €80 million, which was to fall in 2012 to a level of €60 million (without the bookstall editions), a level at which it seems to have stagnated.

In a "zero-sum market" the growth of one of the players in the field is done at the expense of other players, which leads to a strong competition between players on different segments and between segments.

On the other hand, the market has potential simply because Romania is situated last in Europe with regard to the book consumption.

While developing this force from Porter's model, the problems that have to be taken into consideration are the following:

Which is *the competition*? The market is divided among 10-15 big players (Polirom, Humanitas, Litera, All, Corint, Curtea Veche, Adevarul, Rao, Nemira, Trei, etc), which have in their portfolio many, if not most the editorial sectors, with certain propensities towards one or another of the sectors; 80-100 average –sized players which generally have 2-3 sectors they act on (they can be important players in a certain sector) and approximately 500 small publishing houses, in most cases niche publishers. On the other hand, we don't have a transparent climate. Making statistics on the book market is difficult. "There is little transparency on this book market. Many publishing houses do not publish the data about the number of books they sell, as they do in France or in other countries, where they report the books sales monthly", says the representative of the Publisher's Union in Romania.

Which is the *probability for new players to appear*? As far as the probability for new players to appear on the market, we appreciate that the odds are very slim for the Romanian market for two basic reasons: on the one hand it is a

small market, one that is uninteresting for the big international players (which also have to cross the language barrier); on the other hand, the local market is strangled by the weak distribution.

How does *the domain grow*? The trend is the following: the number of titles grows, the market diversifies, the editions decrease, the prices go down, which places us in an even situation, which encourages competition.

What kind of exiting barriers are there? The exiting costs that need to be analyzed are relatively reduced; generally, the publishing houses are not engaged in considerable costs for fixed funds (loans, leasing, etc), which actually represents a vector for the reduction of the competition tension.

2.2.2 *The Threat of the New Entrants*

Both potential and existing competitors influence average industry profitability. The key concept in analysing the threat of new entrants are the entry barriers. They can take diverse forms and are used to prevent an influx of firms into an industry whenever profits, adjusted for the cost of capital, rise above zero. In contrast, entry barriers exist whenever it is difficult or not economically feasible for an outsider to replicate the incumbents' position. The most common forms of entry barriers, except intrinsic physical or legal obstacles, are usually the scale and the investment required to enter an industry as an efficient competitor.

For this force the problems that must be taken into consideration are the following:

The Economy of Scale – how strong the newcomers are, what is their ability to outsell the current players and benefit from the big numbers. By analyzing the Romanian book market through Porter's component which deals with the threat to the current players represented by the newcomers we consider from the very beginning that for the moment, this threat is not current and we are going to explain why this is so: the Romanian market is first and foremost a minuscule market in an European and world context. Besides being limited objectively because of the language, we are also dealing with the unwanted situation of being the country with the smallest book consumption in Europe. On the other hand, it is an atypical market (the values that the Romanian people embrace are atypical) and it is a poor market, since the idea that a book should be cheap, regardless of its value, content or costs is deeply rooted in the Romanian mindset. Therefore, one of Porter's criteria, namely the economy of scale, is not applicable here.

What are the advantages of the potential players? If potential powerful players would come they could be dangerous (if they come with know-how, superior access to copyright portfolio and the financial force that will give them a breather for a long-term policy). The threat will become effective when and if the Romanian market becomes attractive.

How much will it cost them to penetrate the market? / What entrance barriers are there? / What distribution channels are they considering? Another criterion that influences the overheads on this market also suggests a high entry

barrier (that is, big costs). Why is it so? Because the newcomer must be a massive presence, otherwise he would be ignored by the distribution channels; hence he is forced to come up with a considerable portfolio of books in a relatively short period of time, with an excessively big duration for the investment return. Such a business has an extremely low speed in Romania and, specifically, a reduced predictability of the cash-flow and a considerable dose of risk, unpaid and uncovered by the possible value added in the industry, so that the few big players that have shown interest in this market have done little else but explore the market by selling copyrights to Romanian publishing houses or punctually conducting rare joint ventures.

Another aspect worth mentioning about the Romanian book market is that there is a poor cohesion between the existing players. Fortunately for them, the market is still uninteresting for new players.

We appreciate that the present situation is not going to change much for a long time. In other words, someone should throw in the market a book stock of about one million Euros and then deliveries should be made of about 100-200 thousand Euros every month in the hope of future similar returns.

2.2.3 The Customers' Negotiating Power

Buyer power is one of the two horizontal forces that influence the appropriation of the value created by an industry. The most important determinants of buyer power are the size and the concentration of customers. Other factors are the extent to which the buyers are informed and the concentration or differentiation of the competitors. It is often useful to distinguish potential buyer power from the buyer's willingness or incentive to use that power, willingness that derives mainly from the "risk of failure" associated with a product's use.

Obviously, the customers will be trying to pay less, their power being decisive both on the final price and the publisher's profit.

For this force, the problems that must be taken into consideration are the following:

How powerful are the biggest buyers; if there are few buyers, there are few leverages that can be used to increase the price and there will be great pressure on the price at big volume sales. The publisher's main customer is the book wholesaler. If in the 2000's there were few wholesalers with comparable forces, after 2000 an important player appeared, one who used, on the one hand relationships with the hypermarkets which were in full growth at the time, and on the other hand he/she worked on the development of his/her own modern retail network that would challenge the traditional concept of bookstore. This player was DDC, with its own retail network called Diverta and with strong contracts (almost exclusiveness) with the hypermarkets. The appearance of this distributor who was able to offer the book producers decent conditions from the beginning was enthusiastically cheered by the publishers. There really was a need for a modern professional distribution network, one that was complementary to the old bookstore system, which was privatized or not, and sold in areas that were more or less

favourable to book selling. The new network has grown very rapidly, quickly getting to the point where it dealt with more than 50% of book sales in Romania. Once this level of quasi-monopoly had been reached, the conditions offered the publishers rapidly started to deteriorate, both with regard to the percentage they had to relinquish for the distributors (which overnight reached even more than a staggering 50% of the cover price) and with regard to the forbidding and dangerous prolongation of the period necessary for returning the money for the books sold by the network. At the same time, this big player could not be ignored, because it sold well, having places with good exposure, especially in malls. Unfortunately, the big player got used to being late with the payments and used the publishers' money to engage in real estate business. The real estate business crashed and the big player reached insolvency. It still operates, but now he is offering editors a more fair collaboration, on condition that they cancel the debts, which have become considerable.

Which are the overheads; the bigger these are, the bigger the customer power. Any company has a quantum for overheads (an administration): costs with the location, with the human resources, with the logistics. The level of these costs imposes a certain position to the breakeven point on the business axis. The higher the costs, the bigger the turnover has to be. The bigger the turnover, the bigger the temptation, which in fact is an objective necessity of dealing with a diverse clientele, diminishing the power to control the results and leading to a sometimes fatal growth of commercial risk. Many business people have learned in this crisis period the healthy lesson of tightening one's belt – which is to say the importance of finding new and ingenious ways of minimizing the overheads. Such business people have created for themselves the premises that will allow them to endure in the market and even to start developing a healthy growth.

How much do customers have to pay to go to another supplier? Distributors too, are forced to show the publishers a minimum amount of respect, even if they are tempted to use their money in other businesses, which have a higher money spinning velocity. It is clear that in the entire chain, from the raw materials to the point where the book reaches the consumer, the weakest link, the most unprofessional one is the distribution. Distributors in turn, are aware of the fact that the loss of a player cannot be compensated by a growth in the turnover with other players because it is the number of titles that actually gets to decide the turnover.

Are there replacements? Yes, reality has imposed the opening of an unorthodox channel, which nonetheless has become very important, and that is the selling of books through the media stalls network. And there are others of major importance: e-commerce, the big book fairs, the book sold by mail. A special case is that of the educational book, for which most publishing houses have developed their own distribution channels directly to schools in a fiscal gray area.

How sensitive are customers to price change? Wholesalers are not very sensitive to price change, because they gain a percentage; but the end user (the reader) is very sensitive to price change. In Romania there is also the feature which has been inherited from the Communist "Golden Age", which gives people a particular perception about the book, namely that it is a product that is supposed to be cheap and the people's low purchasing power since the 90's up to the present

has naturally cemented this mindset on the one hand. On the other hand, the attempt which certain media trusts have made to revitalize themselves by selling their newspapers along with a cheap book has accentuated the consumer's expectation for a low price even further. We consider that this attempt made by the media trusts (which haven't been able to save themselves through such tactics) has dealt a serious blow to the book market in general, and to the publishers specifically, because it discouraged the investment in copyright, the development of novelty, in a nutshell it has removed us from the current cultural area. On the other hand, however, it is also worth mentioning that it has also had a positive effect of putting more people in contact with books.

Who are the potential customers and how big are they? The potential customer for a publisher is a part of the population who can be enticed to read books, thus boosting the number of existing customers. From what we can establish so far, this seems to be a very difficult thing to do, maybe even an impossible one. In fact, the only hope there is would be to attract the younger generations from very young ages to develop the pleasure of reading a book and from here to develop it into a habit, which is probably going to make them customers later on. Many publishers, some consciously, others instinctively, have already started doing this. In Romania, there is an optimistic premise that such a thing might happen in the future, since the consumption per capita is the smallest in Europe, as it has already been mentioned.

2.2.4 The Suppliers' Power of Negotiation

Supplier power is the mirror image of buyer power. As a result, the analysis of supplier power typically focuses first on the relative size and concentration of suppliers relative to industry participants and second on the degree of differentiation in the inputs supplied. The ability to charge customers different prices in line with differences in the value created for each of those buyers usually indicates that the market is characterized by high supplier power and at the same time by low buyer power.

Regarded from the point of view of this force, the publishers' position seems to be the most stable and the dominating one, although there are contradictory elements.

The suppliers are at present (when the Romanian market is overwhelmingly dominated by the printed book), the printing houses equipped with book-binding facilities. Since in Romania the printing activity seemed like a very profitable business at the beginning of the transition period, the printing capacity has grown prodigiously, numerous players of all sizes appearing.

After 2008, at the same time with the dramatic fall in every sector of the printing market (commercial – advertising, printed newspapers, books), there appeared an unused surplus of sizeable capacity.

In this context, the publishers had a temporary advantage and they were able to negotiate advantageous prices and payment conditions. However, on the one hand the printing area has compressed - through some players' exits, through

other players' bankruptcy, through capacity adjustments, so that the industry has been resized to the level of the current market. On the other hand, the end user's expectations (the reader's) with regard to the quality of the product (the book as an object) have risen in such a way that few local players in the printing area can satisfy them, which leads to a new and negotiable balance of forces between the publishers and the printing space providers.

As far as this force is concerned, the problems that must be taken into account are the following:

How much does it cost to change the supplier? Another restriction that the publisher has to put up with is the cost involved in changing the supplier: the cost in time necessary to establish new ways and new common languages for transmitting information, other pre-press costs, probably even transport and storage costs, etc.

How strong is the supplier's trademark? The prominence of the supplier's trademark is not important as long as the quality standard is kept (the book represents the publisher's trademark, not the trademark of another entity).

The more fragmented the market is, the more powerful the suppliers are. As far as the fragmenting effect affecting the publishing producer, the publishers are fragmented: there have been and there still are tendencies of coagulating which have manifested in the founding of several associations of the members of this community, but they form weak links. At the same time the suppliers, that is to say, the printing houses are equally, if not even more fragmented, and in this case the possibility of easily replacing one's supplier compensates the loss of field due to the fragmentation in the publishing domain.

Is there competition with the suppliers, is there any danger of vertical integration? The possibility of vertical integration becomes a real danger if the publishers excessively increase the pressure over the profit margin and the payment conditions in their relationship with the supplier: if the supplier has a minimal financial force and a complete technological line, they can easily find the human resources necessary for carrying out the editorial production by themselves, which would make them less exposed to the publisher's whims and it could turn the supplier into a threat to the publisher since the supplier has the advantage of lower prices, but at the same time the disadvantage of not having a brand name. Such things actually happen, but they do not represent a phenomenon of significant size.

Who could be the potential suppliers? Obviously, there are potential suppliers outside the internal market. Actually, there already are channels established with European book producers, especially from Hungary, Slovenia, Italy and Bulgaria. Lately, certain book categories for the Romanian market (especially books for children) are made in China, in co-production (only one edition is made for 8-10 countries, using the same graphics, changing only the black plate -the text- depending on each country's order); this is how the economy of scale works and the price becomes reasonable, although we are talking about different editions. The barriers for the potential suppliers are either related to price (which is bigger), or to the term (which is longer), or to the payment conditions

(the payment must be made upfront, because there is no confidence on the Romanian market), or to the amount of the order (a minimum lot is accepted, generally for more than five titles at any given time).

How can the suppliers' pressure be reduced? If you succeed in reaching an important position in the supplier's turnover, you reach a force position towards them. The promptness in payment makes the supplier very receptive and hence grants the publisher a privileged position.

Between 2004 and 2008, the imported book represented 50% on the Romanian book market (the Hungarian supplier held approximately 60% of the total imports). At present the imports represent 20 percent on the Romanian market.

In the peak year 2008, the bookstall editions considered, the ratio was 65-70% in favour of the imports.

20% of the suppliers already occupy approximately 80% of the market – and in this case Pareto's law applies, which means a threat for the publishers.

There is another tendency: for the publisher to use vertical integration and there are important cases: for instance, Polirom, Adevarul (which has closed down in the meantime).

The relationship between the printed book supplier and the corresponding publisher is currently in a time of expectation, both waiting to see where the market is heading, so that at the moment there are no investments in technology whatsoever.

2.2.5 Pressure from the Substitute Products

The threat that substitute products pose to an industry's profitability depends on the relative price-to-performance ratios of the different types of products or services to which customers can turn to satisfy the same basic need. The threat of substitution is also affected by switching costs – that is, the costs in areas such as retraining, retooling and redesigning that are incurred when a customer switches to a different type of product or service. The substitution process follows an S-shape curve. It starts slowly as a few trendsetters risk experimenting with the substitute, picks up steam if other customers follow suit, and finally levels off when nearly all the economical substitution possibilities have been exhausted.

Although technology is changing this does not change the way people evaluate the economic value created by companies or the traditional rules of competition. The creation of true economic value is the final arbiter of business success (Porter, 2001, quoted by Karagiannopoulos et al., 2005)

Of all the forces in Porter's Model, the market we are analyzing is at the moment by far the most sensitive and the most threatened by the substitution products vector. We are witnessing nowadays a major offensive of the electronic book. At first sight, the electronic book is clearly a substitution product for the printing market – the book printers in the classic format on paper (the book – object) and without a doubt it is so. But it is also a substitution product for the book publishers: we are talking about a different technology, with different value chain components and (more importantly) with major consequences for the distribution

stage. And this is where the vulnerable spot actually is – let’s be honest, the publisher will have a very weak control over the return on investment, which is anyway smaller than for the classic format books, but with the printed books there is a strong control on each stage of the chain - including the most important one: the number of copies sold on different channels. The solution for a similar control for the electronic version is yet to be found.

Being a market still in its infancy and due to a lack of devices for electronic reading, the percentage of electronic book sales is below 1% of the book market in Romania. We can say that for now we don’t have a market that matters, and as to the question of how profitable an e-book can be for the author, the editor, the seller and so on, it can’t be stated specifically, since we are just making the first steps in this field in Romania. Mr Silviu Lupescu, CEO at Polirom Publishing House stated in 2011: “The e-book phenomenon represents a challenge for every publishing house. It is, however, a step that must be taken *now*. We want thus to be there for those for whom the laptop or the iPad have become a daily friend. Being able to have a whole library with you, anywhere, anytime, is a chance that must not be missed.” (Business Cover, 2011)

The market shares of e-books in other countries can be found in a report of Publishers Weekly, which speaks of a market share of 1.8% in France (where the whole market is worth €5.6 billion), 1% in Spain (the whole market is worth € 2.8 billion), 1.2% in the Netherlands (the market is worth €1.1 billion) and so on.

Another study conducted in December, 2012, underlines the idea that the number of the people who read electronic books has risen from 16% of the total American people to 23%. On the other hand, the number of those who read traditional books in the last 12 months has dropped from 72% of the population with ages above 16 to 67%. (Goaga, 2012). The causes for this growth are easy to guess and are due to the proliferation of e-reader and tablet devices, combined at the same time with an ever more generous offer of titles reedited and published in electronic format. Moreover, apart from the traditional e-book shops (such as Amazon or Apple), more and more publishers are launching applications dedicated to smartphones and tablets with dedicated and improved editions of e-books. (Anton, 2012)

Other direct substitution products for books are films with scripts made from books, audio-books which are generally abbreviations or retold books. What is more, we could consider that other substitution products are, up to a point, other multimedia leisure activities, such as computer games and even various TV programs. The expansion of the electronic entertainment and its aggressive promotion is one of the main causes for the decrease in the circulation of books. The TV is easy to access, and people nowadays are looking for convenience, whatever meaning the word is ascribed. On the other hand, for the young people today, the Internet is the main source of information, the great universal encyclopaedias can be accessed online and chat groups, on diverse domains have become common for the Internet users.

Analyzing the impact this force has on the publishing domain in the way suggested by Porter, we take the following into account:

The price and availability of substitution products. As far as the e-book is concerned, there is a price barrier for the support, but it's not a prohibitive one (and it's constantly decreasing). Once the e-reader has been bought, the access to the desired book is relatively cheaper and faster than in the case of buying a traditional copy of the book, provided it is done by someone familiar with the acquisition and payment in an electronic environment and with access to them.

The sensitivity of substitute product sales in relation to the change in their price. It is clear that once the tablet reaches a symbolic price (below \$100), it will be mass purchased (which doesn't necessarily mean that it will change the book consumer's habits in the foreseeable future, in fact, there are some opinions according to which this will paradoxically have the effect of increasing the traditional book consumption. On the other hand, it is likely that a fan for electronic reading will desire at some point to acquire at least a part of his books in the traditional format).

The buyer's propensity for the substitution products, whatever they may be. Here the analysis is more ample and more complex. This is a question that has been haunting us in recent years – the book as a cultural support of utmost importance is going to be gradually replaced; the new generations which are obviously distancing themselves from it, are reading less and less, they no longer have the pleasure that the literature offered to previous generations, a complex pleasure with undeniable educational and formative values. And if that is lost, what is it going to be replaced with? It is a problem with sociological implications that go far beyond the scope of the present paper. Getting back to the industry, the way in which the publishers are going to respond to this large-scale challenge will also determine the evolution of their industry and, probably, what is more, it will determine the direction in which the overwhelming majority of the world's population is heading, or at least that part of world's population who finds it difficult to find its own identity and scale of values.

As a result of our analysis based on Porter's model, the following characteristics emerge for the publishing industry in Romania. In table 1 we also highlight the impact these characteristics have on costs, on the development potential and on the flexibility of price policy.

Table 1 Characteristics for the publishing industry in Romania

Ser No	Porter's five forces	Characteristics for the publishing industry in Romania	Impact on costs	Impact on the development potential	Impact on the flexibility of price policy
1	The intensity of rivalry between existing competitors	The market is sparse, the competition intensity is weak to medium;	-	*	*
		“Sum zero” (stagnating) market;	*	*	*
		Opaque competition, without objective ways of transmitting the information;	-	*	*
		The market is strangled by the weak distribution, the lack of professionalism and honesty;	-	*	-
		The publishing houses are still in the stage where they are managed directly by the entrepreneur, which means they don't have a professional management;	*	*	-
		Low exit barriers.	-	-	*
2	Threat from new entrants	Reduced threat from external players (for reasons of language and reduced consumption per capita);	-	-	*
		Entry costs vs. expected results (uncertain and with low return speed) do not justify the entry of big players;	-	-	*
		Poor cohesion between existing players, which makes for a very easy penetration;	-	*	*
		Lack of enthusiasm which generates a passive attitude.	*	*	
Ser No	Porter's five forces	Characteristics for the publishing industry in Romania	Impact on costs	Impact on the development potential	Impact on the flexibility of price policy
44	Volume 15, Issue 1,	March 2014	Review of International Comparative Management		
3	The Customers' Power of Negotiation	Reduced demand, which grants the buyer a considerable power;	-	*	*
		Few distribution channels, high buyer power, which results in big distribution costs;	*	*	-
		A distributor can't afford to ignore the top players, because it would reduce his overall turnover;	-	-	*
		The legal system is weak in terms of debt recovery;	*	-	-
		The use of unspecific channels, some even improper ones (see the media distribution system);		*	

Legend: “ * ” means that the particular characteristic has a certain impact, and “ – ” signifies the lack of influence in that topic.

Conclusions

The above analysis of the publishing business in Romania conducted by means of Porter’s method does not claim itself exhaustive.

The picture that is emerging is that of a full-grown sector, in which the activity is conducted at professional level, but unfortunately, a sector stuck in a period of stagnation, for multiple reasons: economical, social, cultural ones.

In addition to the flaws specific to the Romanian culture regarding the book consumption which place us on the last position in Europe from this point of view, we are witnessing nowadays a change of paradigm in the new generations, both with respect to knowledge and education and with respect to the leisure activities.

As a business, the domain has its challenges and its opportunities. An optimistic entrepreneur would appreciate the growth potential from the last place position. A pessimistic one would consider that this position is not accidental and, adding the commercial barriers: the low speed of return, the risk factor, the high degree of professionalism required from the players, he/she would be cautious and maybe they would think twice before venturing capital.

But if the Romanian society as a whole manages to get out of this status quo and start its own natural journey to development, then surely this domain, which is vital to progress in its integrality (its cultural support, without which there can be no sustainable development) will experience growth, maybe even a boom.

So far, statistics have revealed that, worldwide, the volume of printed books is in a continuous growth and that, even if digital reading starts to gain momentum, it hasn’t managed yet to become a significant phenomenon on the book market. People still haven’t lost the magic of reading. They are only changing (slowly, but certainly) the support.

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