

Growth Strategies in the Publishing Industry through the Betterment of Managerial Techniques

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***Abstract.** The publishing industry is one of the branches of the national economy which thoroughly follows the rules of efficiency and strategic thinking specific to the economic area. In this context, it is useful for any publishing company to define its own economic strategy based on specific objectives and priorities which would lead to improved performance, market share and notoriety.*

Key words: strategic thinking; efficiency; production factors; investment; strategic policies; market share.

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JEL Codes: M11, M31.

REL Codes: 14B, 14K.

The emergence of the strategy and its conceptual shaping are linked by the evolution of human nature, by the intensifying of social and economical relations. Under the influence of a developing society and the impulse of the “movement” of individual needs – and in general under the spell of the dynamic environment which made its presence felt starting in the 60’s – certain conditions have been met which imposed *strategic thinking*. As a result, strategies became a challenge for people – with regard to adapting personal actions and activities in the community to the dynamic and unpredictable environment which, in the case of an enterprise, decisively conditions its survival and hopefully, its endurance. There are still major difficulties though, due to the unpredictable nature of some phenomena in the environment, when it is turbulent. Thus, identifying the trajectory on which the environment moves is hard – if not impossible – to reveal, thereby reducing the chances for the enterprise to adapt to its demands.

Strategy is the most important part of the managerial art, having the task of preparing and conducting (coordinating) the “war” in its entirety. Furthermore, beginning with the affirmation that the survival of an enterprise depends – crucially – on its structural organization and cultural values promoted by its adopted strategy, an idea takes shape that strategy can insure an advantage between two enterprises of the same size and characteristics. Even more, the general opinion points that a good strategy will allow a small, lesser endowed enterprise to attain a faster growth than its competitor which has secured its factors of production at a higher

level⁽¹⁾. This affirmation remains viable, even if to a point, as a result of the propagated role of management, this time realized by means of the employed strategy.

1) Regarding the improvement in the efficiency of editorial activity we propose the following:

The associating of local editors in making paper purchases

An auction organized by a group of local editors, to which small and medium sized printers may associate, could lower the cost of paper by at least 8%.

By together offering payment guarantees and a consistently guaranteed volume of purchases, this association could obtain a price of at most 340/t (excluding VAT) and payment terms of at least 6 weeks.

The associating of editors in paying the press column writers

As in the case of sports pages, magazine or external, there is no impediment in splitting the costs of the financial payments offered to column writers. A nationally well-known political commentator will be pleased to receive a consistent wage offered by an association of local publishers. On their part, each of the publishers will thus enjoy lower costs in supporting these dues.

Associating in syndicating the costs of legal-assistance

Apart from minimizing costs, associating publishers in sharing the costs of legal assistance may also bring one substantial benefit: the professional specialization of lawyers – split by region – on specific jurisprudence regarding press offences or even copyright.

Financing software solutions for commercial add exchange for the press

A person from Botoșani in need of publishing a small add in Craiova has at the moment only one sure-fire way of doing it: by taking a trip across the country.

It's the same for the businessman in Alba looking to liquidate a stock of timber in the Port of Constanța. He does not know how to buy some add modules in Constanța's newspapers.

A syndicated exchange of add space among local newspapers would solve such problems and could optimize add-revenues for the associated publishers. To achieve this, software must be acquired to allow for the on-line ordering and administration of add-exchange among local papers.

As in other similar cases, the association of publishers undertaking such a project could also obtain financing in the acquisition of this software through an economic development program tailored for supporting the Romanian press.

Acquiring software through barter

For Business Software Alliance, the prospect of associating with a massive group of Romanian publishers is certainly of interest. In the exchange of a media campaign against software piracy, BSA could offer software products to consistently reduce the investments efforts of the publishers.

The campaign offered to BSA by this group of publishers could be realized through classic publicity patterns, not necessarily by a series of education articles on anti-piracy. In truth, for the effects in dropping the alarming levels of software piracy to be felt on medium term, the campaign should have both length and consistency.

Accordingly, the volume of software products offered by BSA shall be a significant one.⁽²⁾

Strategies for growth in the publishing industry through promotion

Today, we can encounter two editorial policies in Romania: that of the boom and that of the complex editorial program, meaning the physical spread in the market over as many domains as possible. The boom is equivalent to a fleeting (a few months) domination of the market.

Regardless of their size and economical power all publishing houses promote themselves through adds in the written press, TV and radio shows, book fairs, email newsletters sent to potential clients, company websites, book launch events.

At ALL Publishing House for example, the strategy of promotion is projected according to the relevant book collection and the book's title. A new, high-end collection with double-covers being sold at a reasonable price constitutes an "image vector".

Humanitas Publishing House takes up adds in the written press, television, radio, practicing direct-sales and sales bonuses and making use of all the opportunities offered by book fairs.

The selection of the books which end up in bookshop windows is far from being random. The inconspicuous shelf space is one of the most important parts in the sales process of books. The way in which bookshops choose the books for the most prominent shelves and the way in which publishing houses compete for them is a story of strategies, but also of the bookshop keeper's intuition or courage. Cristi Neagoe, the PR representative for Cărturești Bookshop, is

categorically against any sort of product placement strategy. Asked about the criteria on which the shop promotes certain books, placing them in the most visible locations, Mr. Neagoe answered the selection is made by the store owner's after their own principles, paying attention however at their patrons' preferences.

In the Diverta chain of bookshops, the selection of titles for the most exposure is done in accordance with the sales quota of each publisher. The manner in which the editorial products are shown on the shelf is determined firstly by the percentage that they have in the network's overall sales, and implicitly by the public's perceived importance of that publishing house. Publishers such as Rao, Humanitas or Polirom, which hold a great variety of titles sought after by the general public will enjoy a greater visibility on the shelf. There are also certain partnerships for promotion campaigns of certain titles, campaigns which also imply preferential exposure for a fee. Diverta Bookshop holds a suggestion stand for every week with the Top 10 bestsellers.

At Noi Bookstore in case a publisher wants a specific floor location, extra costs are inserted in the contract. Out of 400 publishers at the Noi Bookstore, only Teora has signed such a contract. For the rest of the publishers, preferential shelf space is given in accordance with each publisher's discount.

Only in Humanitas and Cărturești bookshops are the store managers the ones who decide which books to bet on and promote.

Sales success is due to the publisher's luck and inspiration and – in other cases – due to the notoriety of the author whose books must be promoted by all the rules of marketing and

publicity. It is what happened with the volumes by Mircea Cărtărescu and Paulo Coelho – “Why we love women” and “Zahir” respectively, published by Humanitas and which sold in 90,000 copies for the former and 72,000 for the latter, in 2005. Just for the promotion of the Brazilian writer's novel, around 17,000 have been allocated. If we are to consider the number of titles published, for the year 2005, the first two places on the book market were occupied by the Polirom and Corint publishers, each with 500 titles for the period.

We can see that in the book publishing industry, marketing is used less as a study for a product or as a means of forecasting the market potential or as an investigation into the development process of the products; the publishers mainly concentrate on promotional activities.

The place to apply promotion strategies is the book fair. In Romania there are two big, traditional fairs: Gaudeamus and the Bookarest/Bookfest International Book Fair – this being a celebration of the book. In an European context, there are advised opinions placing Gaudeamus amongst the first 10 international book fairs on the old continent, in terms of main statistical indicators: surface, number of participants, visitors and associated events.

Book fairs provide the following benefits:

- Direct contact between publisher and the end-customer;
- Finding new partners among the media, printers, distributors, authors, translators;
- A better sales venue, books being sold at promotional prices;
- Promoting the publishers' image through presentations, book premieres, the presence of celebrities (authors, translators, public figures) in the company stand.

The fundamental problem remaining in the production of books is infrastructure, meaning the lack of a national information system and a national system of distribution. There are few wholesalers and they are not specialized on specific market segments (academic books for instance). Presently there is no intermediary able to cover the book market, to be informed on its contracted publishers' programs at the beginning of each year and on top of that to also have a sales strategy.

The distribution of books continues to remain the vulnerable point of the publishing industry. In the price of a book, the percentage covering the costs of distribution varies between 25 and 45 percent. As Romania has only one big library chain – Diverta (with over 70 shops) – the publishers must conform to its demands. Grigore Arsene, the president of the Romanian Editors' Association (AER) and the director of Curtea Veche Publishing House, said: "The so-called «national system» of Diverta monopolizes the entire system of book distribution and claims a discount of as much as 45% from the price of a volume". The scarce national distribution network, as many voices in the field say, could be one of the reasons for which the large foreign publishers have yet to set up shop in Romania⁽³⁾.

Another strategy for growth applied by companies in the publishing industry is the Profit Impact of Marketing Strategy, or PIMS.

PIMS is a program created by Harvard Business School for analyzing the relations and interdependencies between the realized performance and the strategy employed by the enterprise. Several companies can take part in this program by supplying – for each domain of strategic analysis – information on market environment, distribution circuits,

growth rate, competitor positioning by price, quality, level of vertical integration and information on spending and results.⁽⁴⁾

PIMS, by processing this information, offers the interested parties confidential data on the situation in the market sector, the position occupied by the company according to its results and makes certain recommendations with regard to the employed strategies, suggesting changes it deems necessary. The analysis for the evolution of efficiency was resorted to, with regard to the parameters resulting from the applied strategic policies:

- growth rate in the sector
- relative quality
- intensity of investments
- market share

1. The impact of the sector growth rate on efficiency

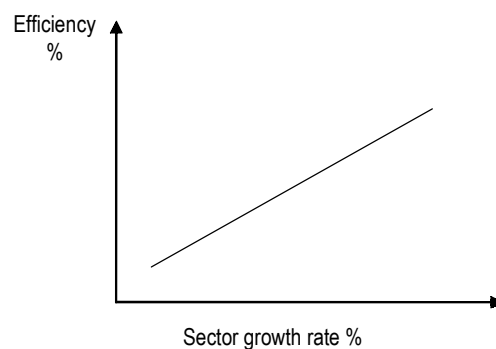


Figure 1. Growth rate - efficiency relationship

2. The impact of relative quality on efficiency

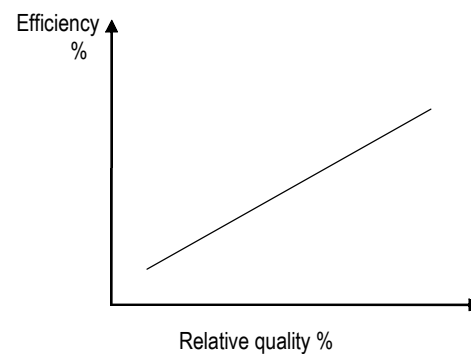


Figure 2. Relative quality - efficiency relationship

3. The impact of market share on efficiency

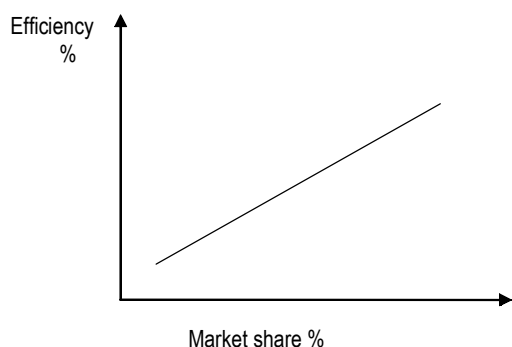


Figure 3. *Market share - efficiency relationship*

4. The impact of the intensity of investment on efficiency

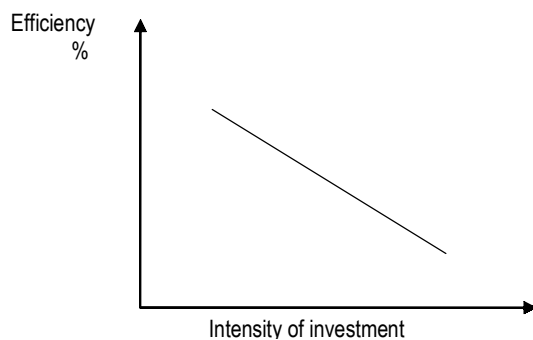


Figure 4. *Intensity of investment - efficiency relationship*

The expansion of the sector of activity, a superior product quality, the increase of market share and keeping investment at an appropriate level (according to sector demand and the financial power of the enterprise) insure an optimal level of efficiency.

For example, the increase in product quality brings about an increase of price and a decrease in waste, all reflected by growing efficiency.

The efficiency of an enterprise increases together with its relative market share. Scientific literature specifies that an increase of 10% in market share brings an increase in the profit ratio of approximately 5%. If a company with a market share of 10% has a profit ratio of around 9%, the company with a 40% market share may attain a 25% profit ratio. Still, the optimal market share for an enterprise is reached at 50% market share; if this level is exceeded, the intensity of investment increases and the efficiency drops.

Notes

(1) See The Economic Tribune, 2004-2007 collection
 (2) Adapted from The Whitebook of the Press II Economical problems of the press, The Agency for the Monitoring of the Press – Academia Cațavencu.

(3) According to <http://prolibro.wordpress.com>
 (4) See Niculescu Maria, Lavalette G. – Growth Strategies, Ed. Economică, Bucharest 1999

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