

Market Competition

While Barnes & Noble still sees some competition from regional book-selling chains like Books-A-Million (<http://www.BooksAMillion.com>), and big-box stores like Walmart and Costco (Jud, 2012; Popper, 2008). To enhance our analysis of the in-store operations and marketing strategies of Barnes & Noble, we visited Bookman's Entertainment Exchange, which is positioned in the book-selling market as a “buy, sell, trade” venue focusing on pre-owned inventory that is – as their slogan so aptly states – “good for your pocket, good for the planet” (Bookman's Entertainment Exchange, n.d.). Barnes & Noble sells new inventory, with many of their books and products bound in brightly decorated covers and packages, but to reach this same budget-conscious consumer that Bookman’s also markets to, Barnes & Noble presents various displays of discounted books throughout the store. However, the biggest competition that Barnes & Noble faces – and one that they did not anticipate, or deem very threatening (Spector, 2011) – is not of the bricks and mortar variety, but instead the bits and bytes (Birkerts, 2010).

The Digital Age

Amazon.com Inc., hit the ground running back in the 1990s with their massive online bookstore, and by the time Barnes & Noble offered their own virtual store, Amazon had already made a massive dent in the market (Spector, 2011), eventually becoming the “world’s largest bookseller” (Crovitz, 2010, para. 5). Books could now be previewed, purchased, and delivered without the consumer ever leaving his or her home, and many consumers clearly enjoyed this technological shift (Spector & Trachtenberg, 2011). Barnes & Noble launched their own website in 1997, primarily to compete with Amazon (“Barnes & Noble”, 2013; “Barnes & Noble”, n.d.). barnesandnoble.com now states that it is "The Internet's Largest

Bookstore," and that it stocks over one million titles that are available for immediate delivery ("About Barnes & Noble.com", n.d.), and "over 30 million products" ("Barnes & Noble, B&N", n.d.).

Barnes & Noble also adapted for the Internet-loving consumer by putting computer kiosks into each of their stores, where consumers may search for books and products. If what they are looking for is not available in the store, the computer will tell them, and offer the option of purchasing the item through the Barnes & Noble online retailer, as well as at-home delivery. These kiosks seemed to be well used in the locations that we visited.

The Electronic Book and Reader

The adage that you have to reach customers where they are, which today, is mobile, and the advent of electronic books (e-books), and the introduction of Apple Inc. and Google, Inc. into the bookselling frenzy (Trachtenberg, 2011a), this demand was now being met – but not by Barnes & Noble. Consumers not only did not have to leave their homes, now, but they could also receive their books instantly to their personal electronic devices (Spector & Trachtenberg, 2011), often at a lesser price (Crovitz, 2010). As stated before, Barnes & Noble eventually shifted their inventory online, allowing for the purchase and delivery of their traditional books, as well as the selling of e-books. In 2011, Barnes & Noble claimed to own about 25% of the e-book market in the U.S. (Trachtenberg, 2011a), but unfortunately, they have become their own competitor, since the online retailer is significantly eating away at the in-store sales.

Once personal e-readers entered the market in 2007 with the Amazon Kindle (Wagner, 2011), it became clear that the Barnes & Noble empire really was in trouble. Other competitors like Apple Inc., Sony Corp., Kobo Inc., and Research in Motion (now Blackberry) entered the

market, not just with e-readers, but also with tablet devices that supported e-books and reading applications (Fowler, 2009; Murphy, 2011; Trachtenberg, 2012b; Trachtenberg, 2013). Barnes & Noble had to play catch-up, and released the first edition of their Nook e-reader in October 2009 (“Our company”, n.d.; Fowler, 2009).

The Nook. The Nook was intended to be Barnes & Noble's white knight, poised to rescue the company in the face of a declining physical retail business (Greenfield, 2013), and Barnes & Noble claimed the Nook occupied 30% of the e-reader market just two years after its introduction (Murphy, 2011), leading much of the focus of their in-store and media-based advertising to be focused solely on Nook promotion and sales. However, the Nook is not profitable, and as of 2012 it has not succeeded in taking market share from the Kindle (Stynes, 2012). Market analysts Peter Wahlstrom, Gary Balter, and Simeon Gutman (as cited in Misonzhnik, 2013) state, “the Nook's failure to take off as a formidable competitor to the iPad and the Kindle makes Barnes & Noble's position in the bookselling business ever more precarious” (para. 5). In fiscal 2013's third quarter, Nook revenue fell by 26% compared to the prior year (Anderson, 2013; Seo, 2013). In the same quarter, Nook digital content sales were down about 12% (Greenfield, 2013), pointing to the difficulties for Nook, many publishing observers informally stated that the Nook retail experience is far inferior to the competition (Greenfield, 2013). This past February, Leonard Riggio made an offer to purchase the company's stores and website but not the Nook business or the college bookstores. He reportedly made the offer to facilitate Barnes & Noble's review of its strategic options for separating out its Nook business (Anderson, 2013a). The offer is presently under consideration.

In response to the reduced revenue from Nook, Barnes & Noble is refocusing its efforts on the Nook device itself, trying to cut the costs of hardware production while slashing prices to already reduced prices to make up for the drop in sales (Robertson, 2013). Furthermore, it

might shift its production to make more tablet-style devices and fewer e-readers. According to Robertson (2013), Barnes & Noble leadership stated:

what we're seeing is that the bigger brands have more resonance in that multi-function tablet market than we do....So when I say we have a commitment [to tablets and e-readers] we do, but we also have a commitment to change the model and how we're approaching it. (para. 5)

The “unique symbiotic relationship” between the Nook platform and Barnes & Noble’s consumer bricks-and-mortar business will remain in place, said Barnes & Noble current CEO William Lynch (as cited by Greenfield, 2012, para. 10). Notably, the company seems to have made a shift in perspective with respect to the attractiveness of the e-book market with Lynch recently stating, “consumers have settled into their book formats of choice...physical book sales will have a longer tail (or longer life expectancy) than previously anticipated” (as cited by Anderson, 2013b, para. 5).