

Book Retailers and the Ever-Changing SCM Landscape: Case Study of Barnes & Noble Company and Amazon

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Abstract

The key issues of this paper for the companies dealing with printed books and its complex supply chains are based in competitive market forces. The first issue is an issue that many different companies across the globe are struggling with, and that is the new technological era. With the new technological era, it makes hard covered books a thing of the past. Customers typically want instant access to anything they want, whenever they want it. People do not want to have to carry around books; they want to be able to access books from their phones, laptops or tablets. This is Barnes & Noble and other book retailers main key issue. Not only does Barnes & Noble have to create ways to interest buyers in their books; whether it is creating ways to provide instant access to their books for their customer, they also have to be more innovative than their competitors.

One competitor that continues to not only challenge Barnes & Noble but play a role as one of their key issues is Amazon. Amazon's main mission is to be a leading internet retailer and be "Earth's most centric company; to build a place where people come to find and discover anything they might want to buy online," (The Balance). Not only is their mission focused on providing their customers with any product they could dream of, they also had a goal of accomplishing 50 percent of the book selling market share by 2012. This creates immense competition for Barnes & Noble especially as Amazon gets recognized more and more for providing a plethora of other products. To add one more challenge for Barnes & Noble, Amazon also created the Kindle in 2007 to appeal to their customers. The kindle is a version of a tablet that was designed to read e-books that could be purchased directly from Amazon. This made Barnes & Noble go on the defense, giving Amazon the upper hand on the sales of e-books, which contribute to about US\$500 million in sales a year.

In response Barnes & Noble choose to use the standard organizational structure of product development and came out with the Nook two whole years after the Kindle came out. Although it was a little after the Kindle, the Nook certainly allowed Barnes & Noble to receive more sales due to the fact that their customers could order e-books directly from Barnes & Noble. However, even with Barnes & Noble's organizational model setup to use product development, they still face the issue of decline in adult readership. Standards and Poors stated that the "bookselling industry was mature in 2010 and that due to declining adult readership of books, industry growth was expected to be either nonexistent or at best, in low single digits." Even with their growth in product development, Barnes & Noble is still faced with decline in the bookselling market and needs to be able to bring new customers to their market.

Since Barnes & Noble went with the product development organizational model there are 3 strategies they could choose to use in their company. Barnes & Noble could use any of the following 3 product development strategies: Product development diversification strategy, Product modification strategy, Revolutionary product development (Nielsen). Since product development organization model was chosen for Barnes & Noble, then we believe the most feasible strategy would be product development diversification strategy. Since there was a revolutionary product (i.e., the Kindle and Nook) created quite recently it would not be a good choice to go with that strategy. Product modification strategy is a great strategy however, Barnes & Noble have shown in the past that Amazon has the resources to be innovative at a quicker pace than they do and thus Amazon is leading the innovation aspect of the industry. For those reasons, the best strategy is product development diversification strategy. The pros and cons for product development diversification are listed below.

Pros:

1. Barnes & Noble is in a market where the existing market is saturated and the profits have started to decline.
2. Allows Barnes & Noble to broaden their horizons into a new market while their main competitor Amazon is doing the same thing and is branching into different markets.

3. Can grow in a new market that is not as stagnant and can have the opportunity to learn new ways to be innovative in this new market.

Cons:

1. Barnes & Noble are taking a risk going into a new market, and will need to ensure that all employees and management is on board with the new market change.
2. Barnes & Noble will initially incur debt for up-front costs in order to enter into a new market.
3. There will need to be intensive research of which market is an appropriate market to go into and this will result in lots of research and development costs.

Looking at the markets that Barnes & Noble could enter into, they must first do extensive research. Researchers for Barnes & Noble need to look at markets that are not stagnant and also ensure it is a market that Barnes & Noble's management and different business strategies can flourish in. Barnes & Noble needs to also make sure that no matter what market they go into the culture of their company stays the same so they do not lose employees or management, which are vital to the company. They also need to do a SWOT analysis to analyze Barnes & Noble's strengths and weaknesses to ensure that the market they go into will utilize their strengths and minimize their weaknesses. Next, it is critical for Barnes & Noble to do an industry analysis with Porter's five force model to decide what market would be easiest to enter into with little competition and no substitutes. Once Barnes & Noble does decide on a good market to go into to diversify their products, they must ensure they have funding to enter into the market.

There are 2 main areas that need to be focused on when implementing the recommendations made above. The first major area that Barnes & Noble needs to concentrate on when implementing a product development diversification strategy is benchmarking. Barnes & Noble needs to use benchmarking in both their new and old market. Whenever a new product development strategy (or any strategy for that matter) is implemented the process must be very carefully thought through. As Barnes & Noble enter into the new market benchmarking will allow Barnes & Noble to evaluate whether the whole process should be continued or if the process should not be continued. This allows funding to be cut off as soon as the project has become ineffective, since the funding of a product development diversification strategy costs so much, this measure being put in place can save Barnes & Noble a lot of money.

Benchmarking in both markets will allow Barnes & Noble to see where they stand with their competitors. This will prevent the company from falling behind their competitors, like what happened ten years ago, when Amazon released the Kindle. With benchmarking Barnes & Noble would have known that Amazon was becoming more innovative and that their customer's needed a way to access online books. This would've helped Barnes & Noble to have created the Nook a little sooner than the two years it took to create it after the Kindle was released.

In addition to implementing benchmarking, Barnes & Noble needs to ensure that they are having a customer front and center approach. This is vital to both markets for Barnes & Noble. To begin, in the old market, it is essential that there is a customer focus due to Barnes & Noble being in the retail industry. It is additionally important to focus on the customer because the adult readership is declining and having customer focus is one of the things that will keep customers coming back to Barnes & Noble even if they could buy the book online from a competing retailer.

In the new marketplace that Barnes & Noble as well as any bookseller chooses, it is vital for them to have a customer focus. It is important because being new in a market may be challenging even for big name brands like Barnes & Noble. Such companies need to focus as much as they can on their new customers so they can obtain and keep their new customers and have those new customers bring in more customers so that they can grow in the new market. This will allow Barnes & Noble to expand and make a profit in a new market.

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KEYWORDS: *Amazon, Barnes & Noble, supply chain management, marketing research.*

Relevance to Marketing Practitioners: This case study is relevant to book retailers/marketers and researchers in dealing with competitive and supply chain management issues.

TRACK: Business-to-Business Marketing/Supply Chain Marketing