

Bookstores

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The bookstore industry has been recently characterized by major consolidation trends and increasing internet sales. The independent bookstore sector continues to struggle for market share, sustain brick and mortar stores and implement new technology. While reacting to economic forces and competing recreational diversions, the industry continues to reinvent itself to attract and retain customers. Booksellers struggled in the first years of the 21st century as did the rest of the economy. Although profits have recovered each year from 2002 to 2005, the bookstore industry still faces real challenges.

Industry Overview

Traditional bookstores in the past were far different than the modern bookstore of today. Simple in design and layout, traditional bookstores had only one mission – to sell books. Now, the changing marketplace is exerting great pressure on chain and independent stores, alike. Consumers shop at superstores which conveniently carry books and other entertainment merchandise while small-scale bookstores (even those owned by the large chains) have closed because of low customer traffic.

Many independent booksellers continue to exist in spite of big chain bookstores and online services while other independents are turning to the Internet for increased their bookstore sales. Smaller bookstores, especially those serving niche markets, closed their brick and mortar stores and opened websites on the Internet for greater exposure. However, some people still enjoy the browsing experience gained solely from visiting stores. Currently, the retail book industry approaches 10,000 independent bookstores.

In 1998 Barnes and Noble purchased a major book distributor in order to serve their online customers better. This acquisition led to legal confrontation between independents and industry leaders. In 1998, the American Booksellers Association (ABA) and 26 independent booksellers filed suit against Barnes and Noble as well as Borders claiming that the big chain stores were receiving better terms and discounts not offered to the rest of the bookseller industry. In April 2001, the ABA announced that it had settled with Barnes and Noble for \$4.7 million. The lawsuit uncovered that the industry had been using practices favorable to the big chains and subsequently placing the independents at a disadvantage. According to the ABA, though most of these practices have stopped, the settlement agreement still allows booksellers to air grievances – even the legal ones.

Book sales for 2006 totaled \$ 16,119 billion. As illustrated by the following monthly breakdown chart, there is an obvious seasonality to bookstore sales.

<i>Month</i>	<i>Sales (in Billions)</i>
January	2,143
February	1,052
March	1,041
April	940
May	1,118
June	1,176
July	1,077
August	2,031
September	1,483
October	1,003
November	1,066
December	2,989
Total	16,119

Source: Census Bureau¹

Business Leaders

The frontrunner for the retail bookstore industry is Barnes and Nobles followed by Borders-Waldenbooks, Crown Books and Book-A-Million, as detailed below:²

Barnes and Noble

Founded in 1973 by Charles Barnes, it was originally a used book business. Now it is the largest retail bookseller in the United States with 650 Barnes and Noble stores in 49 states and 200 stores with the names of B. Dalton, Doubleday and Scribner's and their website barnesandnobles.com. The company had \$4.9 billion in sales in 2005 and their superstores made 80% of the profits.

Borders

Borders was founded in 1971 by Louis and Tom Borders in Michigan. Once the largest retail bookstore in the United States, in 1992, it became second to Barnes and Noble and has stayed there since. Borders operated 1,200 stores nationwide and in Australia, New Zealand, the United Kingdom, Singapore, and Puerto Rico with the names of Borders, Waldenbooks and Plant Music. Experiencing rapid growth, Borders stock went public in 1995. In 2004, the company reported sales of \$3.7 billion.

Crown Books

Crown Books was founded in 1977 by Herbert H. Haft and his family, it is the leading discount bookstore chain. It opened its first store in 1990 and by 1993 there were 32 Super Crown Bookstores. During the mid 1990's problems within the family created difficulties in the business and in 1998, the company filed Chapter 11 bankruptcy. Crown Books came out of bankruptcy in 1999 with 92 stores and was projecting sales of \$190 million in 1999.

Books-A-Million

Books – A- Million is the third largest bookstore in the nation with 200 stores in 18 states. Twenty percent of the stores are superstores; the company also owns and operates 35 Bookland stores. Books-A-Million sales for 2005 were \$475.2 million.

Marketing

Although the companies above are the industry leaders, independent bookstores are still around and popular with many people because their focus often includes unusual titles and added personal attention to customer service. Bookstores are sought out by a loyal, and often affluent, clientele looking for an experience – not just a purchase.

One such example is Nach Waxman and his bookstore, Kitchen Arts and Letters – located on Manhattan's Upper East Side. Legend says that eight months after starting the business, someone from the neighborhood asked whether Waxman's business was still open because the neighbor had confided to his wife that the store would not "make it." Two decades later, the bookstore is still "making it". In today's business world, operating a successful independent bookstore is definitely a rarity. Even though most small enterprises close because they are unable to compete against the large retail bookstores, Waxman stuck to his own retailing tactics using grassroots marketing and specialization to compete against the competition.

A few other independents are finding ways to compete against the large chains but the total number of independent shops continues to diminish. From 1993 to 2004, total numbers decreased 58% from 4,700 to 2,000. Part of this decline can be attributed to big store competition with retail pricing advantage in very close proximity to independent bookstores. Waxman says "to survive, carving a niche is the only way to go. You know an entire subject and really have a mastery of one area." Kitchen Arts and Letters has 11,000 titles in English together with a collection of foreign language and out of print titles. The store ranks as one of the nation's largest bookstore dedicated to food and wine. The remarkability of his success includes the fact that he has never advertised, does not sell online and is located in a low traffic area with two Barnes and Noble stores close by. Waxman has built a reputation on 2 things: his ability to search the world over for choice merchandise and his focus on customer service.³ Knowing his customers and their preferences has proven to be a key element to the success of this independent bookstore.

Demographics

Major segments of the book market are as follows:

- ages 45 to 64
- high incomes
- married without children
- married with school-aged or older children
- reside in western USA
- college graduates⁴

Customers with a college degree spend twice as much on books than other customers and make up 57% of the book buying market. Consumers between the ages of 45 and 64 spend 28%-33% more on books. Many in this category are empty-nesters who can dedicate more time to reading. Married couples without children at home spend 24% and couples with school-aged children spend 34 to 42% more on books.⁴ Adults between the ages of 18 to 24 and senior citizens 65 and older spend the least amount on book purchases.

Total 2005 book sales reached \$5,648,001,040 averaging \$50.38 per household. Between 1997 and 2002, total spending fell 9%. The decline was less for books than for the newspaper or magazine industry and the decline in new book sales could be attributed to competition and used book sales. Book sales should continue to rise as baby boomers become empty-nesters with newly-acquired leisure time.⁴

Book Genres

There are approximately 900,000 titles in print. Independent stores generally specialize in niche markets; thus, they are able to carry a wider variety of titles on topics such as religion, hobbies and children's books. Large chains carry between 15,000 and 20,000 titles while large independent bookstores can house as many as 30,000 and 40,000 titles.

Adults 65 years and older spend less on science-fiction, fiction and autobiography. Adults 18-24 years spend less on mysteries, self-help books and religious titles. Some categories of books popular with all generations include history and romance.⁵ Children's book sales depend on the age of the buyer. Statistics show that 28% of 25-34 year olds and 24% of 35-44 year olds have bought a children's book while only 12% of 18-24 year olds and 17% of 45-64 year olds have bought a children's book. Religious books are connected with the reader's age getting more popular as the reader gets older. Only 7% of 18-24 year olds bought a religious themed book in contrast to the 10% of 25-34 year olds. With consumers age 65 and older, the purchase of religious books drops to 9%.

Industry Trends

According to a 2005 study done by the Book Industry Study Group, net revenues in 2004 reached \$28.6 billion, which was a 2.8% increase from the year before and is expected to continue to grow 18.3% in the next five years. That is a \$49.5 billion dollar market by 2009. The study estimates that religious books will grow 50% in the next five years and the assumption that the religious book sector was a "bubble business" has been disapproved. Another trade expected to grow will be: the mass market paperbacks-16.9%; adult trade-12.3%; and professional books-11.6%. The trade book business will decline because people are spending less time reading overall. Between 2004 and 2008 it is expected that the average reading time will decline by 3 hours compared to an increase of 120 hours during the same time period spent on other media.⁶

Below are market statistics for bookstores nationwide:

Estimated number of U.S. establishments:.....	23,093
Number of people employed in this industry:.....	162,084
Total annual sales in this industry:	\$25,662.8 million
Average number of employees per establishment:	7
Average sales per establishment:.....	\$1.5 million

Source: Zapdata Market Report⁷

Current indicators point to an aggressive and highly competitive industry with dwindling numbers of independent establishments.

Associations

American Booksellers Association

<http://www.bookweb.org/>

Association of American Book Publishers

<http://www.publishers.org/>

Sources

¹ Monthly Retail Sales: 2006

<http://www.census.gov/mrts/www/data/html/nsal06.html>

² "Book Stores." *Encyclopedia of American Industries*. Farmington Hills, Mich.:Gale Group. 2007, Date accessed: June 20, 2006.

³ Perman, Stacey. Indie Bookstores' Survival Stories. Business Week Online, 2005, Date Accessed: June 20, 2006.

http://www.businessweek.com/print/smallbiz/content/jun2005/sb2005062_9627_sb017.htm

⁴ Best Customers: Demographics of Consumer Demand, New Strategist Publications, 2005.

⁵ Fetto, John. Your Questions Answered - Brief Article, American Demographics, 2002, Date accessed: September 6, 2006.

http://www.findarticles.com/p/articles/mi_m4021/is_2002_July_1/ai_89374133/print

⁶ Deahl, Rachel. BISG Trend Report Sees Industry Growth, The Book Standard, 2005. Date Accessed: September 6, 2006.

http://www.thebookstandard.com/bookstandard/news/retail/article_display.jsp?vnu_content_id=1000921346

⁷ Zapdata Market Report www.zapdata.com Date accessed September 6, 2006.

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