Books online 18544 essay

One might say that the business world is moving at a fast pace, a pace that is almost impossible to keep up with. This could be the result of the almighty Internet and the world of technology. In today s society, technology has revolutionized how we as consumers make decisions and procedures regarding the process of consumption. The Internet has made many vast improvements within our culture, both online and off, which is allowing the average consumer to buy retail by using little to no effort. Online retailing is a fairly new industry, and new companies are jumping on the bandwagon at a very fast pace. This is causing competition to come into play, which is forcing online retailers to change their initial goals. Amazon. com was one of the first online retailers to introduce online book selling. Amazon started strictly as an online bookseller; however, through time they have evolved into the largest online retailer, offering over 16 million items for sale on the Internet. Only a few online retailers are a threat to Amazon; they are Borders. com and Barnes and Noble. com. The purpose of this paper is to focus on the online booksellers and how they are homogeneous within their market.

Online booksellers are booming within the market they stand, and with thousands of books to offer, why would the everyday consumer choose physical shopping over using the Internet? Could it be because they would rather feel the excitement personally and take advantage of the assistance provided by the book superstores, or would they rather shop within the convenience of their own home? The online booksellers offer just as many if not more selections on the Internet. They even offer reviews, both good and bad, suggestions and comments, and more information about the book at interest. Could online booksellers put the million dollar retail stores out of business? On a survey conducted, we found that out of 50 samples, 40 of them would rather shop for a book on the Internet. 25 of those 40 have already switched from physical bookstores to online shopping. We also learned that 16 out of those 25 used Amazon. com. 5 used Barnes and Noble. com, and the remaining 4 consisted of Borders. com and other small online booksellers.

The top three online booksellers are Amazon. com, Barnes and Noble. com, and Borders. com. Amazon. com is the number online retailer in the market; however, they recently had to swallow a stunning 124. 5 million-dollar loss last year. With over 16 million items for sale through their web site, they try and stay focused on the book market because of their intense competition. As mentioned before, Amazon. com plummeted into the online retail market as a bookseller; however, management noticed an overwhelming demand for retail in general, which led to expansion. Expansion is what caused Amazon. com to lose money last year. Of the three major online booksellers, Amazon. com is the only vendor that such a diversified selection. For Amazon. com to stay afloat in the market, they will have to stay focused on their original plan, to be an online bookseller.

Amazon. com consists of Jeffrey P. Bezos, CEO, 3000 employees, and an ever-changing web site. Their web site is updated daily, adding best sellers to the site and also informing consumers with book reviews, which can be the critical point for a purchase. The goal of Amazon. com is for it to be the most customer-focused company ever, both online and off. With decreasing obstacles involved in the purchasing process, Amazon created the one-click ordering, which lets buyers store credit cards and addresses after the first purchase. They have also installed software that assesses what past customers have bought and suggests other purchases. The result: Repeat purchases account for 66% of sales. (Article): Cover Story, 1999. Amazon. com vs. E-bay. Business Week, May 31, 1999. P128-140. The idea for releasing customers opinions and suggestions can reduce a risk that one might uphold regarding the purchase of a book. They also have a star rating system which gives 5 stars for a book that was well liked, and 1 or 0 stars that was either boring or poorly written. These procedures put relevant opinions and information in perspective for future customers; therefore, can influence a sale.

For the time being, online shoppers experience the asset of not having to pay sales tax on purchases. All online retailers are currently benefiting from this, not just the online booksellers. Online shoppers are paying shipping and handling charges instead of sales tax. Unfortunately, congress is in the process of putting this to an end, which will force online consumers to pay a sales tax. The average sales tax in the United States is 6. 3%, and this percentage will most likely be the nationwide Interned tax on purchases. According to a Business Week article, online shopping will decrease by 30% or more. (Article): France, Mike, 1999. A Web Sales Tax: Not if, But when. Business Week, June 21, p104-106.

According to Business Week there are currently 457 on-line booksellers. This statistic would seem to indicate that any on-line book retailer faces stiff competition. However, many of these on-line booksellers specialize in selling only specific categories of books. Two of Amazon. com s major competitors are Barnes and Noble. com and Borders. com. What makes Amazon. com the " Earth's Biggest Bookstore? One reason is that they are more than just an online bookseller. Their Internet site offers extensive book and music catalogs as well as a variety of other resources including customer reviews, personal recommendations, and gift suggestions. At Amazon. com a buyer can search for books by author, title, subject, or keyword. A music search can be made by artist, CD title, or song title. These are just a few of the characteristics that make Amazon stand out from the others.

Both Borders Group, Inc. and Barnes and Noble, Inc. operate book and music superstores. They also run mall-based bookstores throughout the world. Amazon. com is different in that they sell strictly online. It was thought that name recognition would make a major impact when Barnes and Noble initiated their online site a few months ago. However, this has not been the case. Savvy online buyers are motivated more by price not name recognition, and have remained loyal to Amazon. com. Accordingly, Business Week has announced that approximately 101 million United States adults (52%) recognize Amazon. com (Amazon. com: Business Week #5).

" I give a good belly laugh when I see folks still trying to compare Amazon. com to Borders. com or Barnes and Noble. com. I think a comparison to Wal-Mart might be a more accurate, but even that falls short of the mark. Amazon is without equal. Books, videos, music, drugs, groceries, pet supplies…. the list just keeps on growing, and I guarantee it will continue to grow in a big way." -Paul Larson.

For most investors, the first thing that they request when making financial decisions is the company's statistics. When you compare the statistics of the three companies, evidence states that Amazon. com is prosperous, and is handling the competition well. Borders Group, Inc.- for the thirteen weeks ended April 25, 1999, Borders Group, Inc. had increased their sales by 13%. This put their profit right at $618. 7 million. Their net loses amounted to $4. 1 million versus an income of $3. 8 million (Borders. com General Information #8). These results are a reflection of higher sales from new store openings and comparable stores, offset by Borders. com expenses and higher debt levels.

Barnes and Noble, Inc.- Barnes and Noble is primarily engaged in the retail sale of trade books, mass market paperbacks, children's books, off-price bargain books, and magazines. These items are sold through 1, 009 bookstores in 49 states, and through Internet sales. For the thirteen weeks ended May 1, 1999, revenues for Barnes and Noble rose 9% to a total of $718. 3 million. Net loses before accounting changes fell 57% to $1. 4 million. These statistics are a result of opening additional stores, and lower pre-opening expenses (Barnes and Noble. com. General Information #6).

Amazon. com- Cumulative customer accounts represent the number of people who have made a purchase from Amazon. com. In the quarter ending March 31, 1999, cumulative customer accounts increased by over 2. 2 million to more than 8. 4 million. This shows an increase of over 250 percent from 2. 3 million customer accounts at March 31, 1998. Sales grew from $148 million in 1997 to $610 million in 1998. This reflects a 313% increase (Amazon. com. Investor Guide #4).

Amazon. com is the premier bookseller on AOL. com, Yahoo!, Netscape, Exite. com, the Alta Vista Search Service, and the Prodigy Shopping Network. Amazon. com offers a catalog of 2. 5 million titles, easy-to-use search and browse features, e-mail services, personalized shopping service, Web-based credit card payment, and direct shipping to customers. Amazon. com has the largest online shelf space. Amazon offers customers a vast selection through an efficient search-and-retrieval interface.

Amazon. com, Inc. and Barnes and Noble, Inc. announced their agreement to a settlement of a lawsuit filed by Barnes and Noble. On top of the lawsuit, there were counterclaims filed by Amazon. Neither party admitted liability of any type, nor neither party paid damages of any kind to the other. Both parties decided that they would rather compete in the marketplace than in the courtroom (Amazon. com. Company Info #2).

In its role as the number one on-line bookseller in the world, Amazon. com operates two international Web sites: www. amazon. co. uk in the United Kingdom and www. amazon. de in Germany. Last year, Amazon. com entered the European Book Market by purchasing the leading online bookseller in the United Kingdom and Germany. They now offer thousands of titles published in the U. K and Germany as well as those sold in the United States to expedite shipment to books to their European customers and has set up distribution centers in England and Germany.

Another move, which expanded Amazon. com s global market, was its Global Merchant Agreement with Yahoo! This agreement allows Amazon. com to take advantage of Yahoo. com’s worldwide Internet sites. Internet users throughout the world are familiar with Yahoo. com, and this agreement greatly strengthens Amazon. com’s position as the world’s leading on-line bookseller. Although Amazon. com faces competition from various on-line bidding companies such as U-Bid; it has recently announced an alliance with the well-known art auctioneer, Sotheby’s. Now online bidders worldwide will be able to participate in live auctions for fine paintings and other valuable art objects.

Amazon. com s strongest feature is that they offer a lot more than books. They offer everything from groceries to fine paintings to its online shoppers, included in the 16 million different items for sale. Online shoppers around the world can go to Amazon. com and find the best prices for books as well as many other items.

As mentioned before, the three main online booksellers today are Amazon. com, Barnes and Noble. com, and Borders. com. Of the three, Amazon is the clear leader with Barnes & Noble and Borders in the background looking for ways to catch up to Amazon. In order to fully understand the situation we need to evaluate each company s strategies and look at relevant performance measures for each of the three (and compare them). One useful performance level for stakeholders is stock price. As of June 29, 1999 Amazon s stock price was 116 and 1/16, Barnes & Noble s was 17 and 13/16, and Border s was 15. This supports the fact that Amazon is the clear leader at the time being. Since all companies within an industry face the same external forces, we wanted to see why Amazon is doing so much better than its competitors. In other words, what are the sources of its competitive advantages? The recent stock movements could determine the number of their investors. Is this pattern capable of dishing out a return on investment?

Since Amazon deals in such volumes, they can lower costs and pass those savings onto the consumer. At this time, all three of the companies are pursuing price-cutting strategies. Recently Amazon announced 50% off all New York Times best sellers and hours later Barnes & Noble matched the discount. They did this because once the customers are logged on, they may buy more lucrative merchandise as they browse through the site. According to news sources both companies will lose money on the bargain rates. This may benefit Amazon in the long run since they are much larger than their competitors and can afford to take a temporary loss in order to attract customers (MSNBC. #10). This is a type of competitive advantage for Amazon. Even when the competition does exactly what they do, Amazon still comes out ahead because they are more established.

Another advantage Amazon has is that it was one of the first movers in the industry. This has helped them to lower costs by moving down the learning curve faster. Also, when customers think of online booksellers they often think of Amazon first. This is a form of brand loyalty. Customers do not want to experiment with a new bookseller when they are happy with Amazon. However, Barnes and Noble and Borders have some advantages associated with being a second mover. They can learn from mistakes that Amazon made in the past, and they can benefit from Amazon s advertising. Amazon spent a large amount of money on marketing and this has really been good for all companies in this industry because people are learning the advantages of buying books online. A brief review of Amazon s advantages:

? First mover advantages

? Acquisition of key resources

? Brand loyalty

? Lower costs

? They are well established

Barnes and Noble is gaining on Amazon at a fast rate. In the 1998 annual report it was shown that sales rose 381% ($14. 6 million to $70. 2) in that year. Barnes and Noble s inventory more than doubled to over 750, 000 titles. They are doing everything they can to gain advantages over the powerhouse Amazon. They are making many additions, enhancements, and have a new advertising campaign. All these enhancements are designed to offer their customers the broadest possible selection and the best online experience. They include:

? One click ordering

? More powerful search engine which helps customers to find any title with ease

? Free e-mail that keeps customers up to date

? An expanded selection of bargain books

? Shorter download times

? An unsurpassed inventory of out of print and rare books

(Barnes and Noble. General Information. #6)

Currently, Borders is trailing both Amazon and Barnes & Noble. Borders Group owns the Waldenbooks chain and was once the nation s top book retailer. However, some analysts believe that Waldenbooks was caught off guard by the new trend of online book shopping. In order to reclaim their hold on book selling they were forced to join the online book selling industry. Since they have done so, they have experienced sales growth and expansion. Like Barnes & Noble they are pursuing strategies to catch Amazon and become the number one company in the book-selling industry. These strategies include the following:

? Targeting the international market for growth

? Alliances with other companies (example: Planet Music)

? Reader reviews and recommendations

? Decreasing their shipping time

(Borders. General Information. #8)

Our research has revealed the strengths and advantages of each of the three companies. We believe that Amazon has a strangle hold on the competition for the time being just from being so big. But Barnes & Noble as well as Borders are continuing to pursue strategies that will set them apart from competitors and help them catch Amazon. This will be a tough task but we think it can be done.

Now we will examine the general goals for the companies as a group. Presently, all the companies are growing and producing profits except Amazon. com. They have experienced a profit loss because of their recent diversification and their rocky beginning. They have expanded into the online retail industry as a whole. Once they establish their customer database concretely, word of mouth and consumers with holes in their pockets will take care of retrieving profits. This industry is growing at a fast rate due to an unsaturated market. As a group these three companies must prepare to fight off new entry in the industry. To do this, they must concentrate on maintaining or increasing their current market share. They are trying to reach these goals by advertising, improvements, and expansion. All three companies have the same general goal. They want to increase their market shares in the fast-growing industry of online retailing. However, the companies are pursuing slightly different strategies to accomplish their goals as we have show earlier. Only time will tell who has the best plan to accomplish their goals.

Although some people will assume that Amazon wants to stay where they are at in the market, they want even more. If they continue to widen the gap between them and their nearest competitors, surviving battle with them will be even tougher. Also, new entries expecting to be able to compete with Amazon s size and speed will be unsuccessful. Currently, Amazon s stock price is 116 and 1/16. They hope to get this back to the all time high of 221 and +. They plan on sticking to what made them successful in the first place: large size, expansion into other markets, and an open eye for opportunity.

This will better their chance to reach their goal of increasing their market share.

Even though they trail Amazon, Barnes & Noble have experienced success quickly in the online book-selling industry. Their goals include growing at a faster rate than Amazon and all other competitors. They also want to incorporate all the latest technology and stay aware of what the competitors are doing. They know that higher earnings per share will attract more investors and create more capital for growth. They plan on concentrating on what they do best: providing the quickest delivery time of all competitors, offering options that other book-sellers don t have, and increasing ordering ease.

Borders doesn t have any clear-cut goals. They want to reclaim their throne as the nations top book retailer , but this may be too challenging to start of with (Borders. General Information. #8). This goal isn t time specific or realistic. Amazon is so far ahead of them that they shouldn t focus on such a difficult task. Borders doesn t seem to be trying to innovate as much as they are trying to copy the competition. It seems as though Borders. com will always be a step behind everyone else because they never want to take the risk of moving first. Unfortunately for them, this means they won t get the rewards that come with taking a chance. Unlike Barnes & Noble, Borders doesn t offer things that Amazon does. Therefore, we feel that Border s goals does not pose much of a threat to Amazon.

It is hard to tell what the future holds for the online book-selling industry. One company may emerge with a highly successful strategy and take hold of the market but there is no guarantee that others will not copy these strategies. Although it is hard to tell exactly what will happen with the online bookseller industry; however, the safest bet for investors and consumers is clearly Amazon. Coincidentally, Amazon. com s stock price has fluctuated intensely since December. According to all the information we have researched, Amazon is the best prepared for the future closely followed by Barnes & Noble. Borders may need to rethink its strategy and set specific and realistic goals in order to keep pace with the rapidly changing online book-selling industry.

Commerce Secretary William Dailey estimates commerce will grow about 1. 4 trillion dollars by year 2003 or one sixth of the current G. D. P. The online booksellers are very big in commerce and will continue to grow because they have just broken into the online retail business. One analyst Zapman, who is a specialist in e-commerce for CBS Marketplace, says things look pretty bright for on-line booksellers positioned for that kind of growth.

Some people speculate in the future people will read books on portable computers and publishers will sell books directly on the Internet. These seem to be to potential problems for online booksellers. Zapman goes on to say that books are cheap, portable, do not need batteries, and do not to be downloaded. He also says publishers know little about selling direct, much less e-tailing (online retailing). Online retailing is a killer business with razor thin margins. Besides, the last thing publishers want to do is to offend their brick-and-mortar retailers by undercutting them in cyberspace. Publishers seek more sales channels, not fewer.

Yankelovich, who is an expert in on-line retail sales also supports Zapman's thoughts in a " Cybercitizen" study which shown the distribution of on-line sales. The study shows that book, tape and video sales are second only to airline tickets and clearly shows the demand for on-line booksellers (Figure 1).

The editor-in-chief for Amazon. com also was quoted, saying " Suddenly the Internet is revitalizing the critics role as online opinion leaders sway shopping habits to a degree that almost no one expected" which continues to support the theory that online booksellers will continue to grow at a rapid and steady pace.

Not all are so optimistic for online booksellers especially the smaller ones. Now that the novelty of online shopping is over for many, booksellers are facing the harsh reality of keeping their money and clicking elsewhere. In their efforts to keep customers loyal, many profit-starved retailers continue to spend a lot of money and time on providing a critical element, customer service. It appears that Amazon, Barnes and Noble and a few other large companies are the only ones attempting to due do this. This could possibly be due to brand recognition of these front runners in the online bookseller industry.

According to a Biz Rate. com, industry study during the first quarter of this year, online book shoppers rated customer support among the weak links of e-commerce sites. This follows Jupiter Communications research that found the percentage of customers saying they were " largely satisfied" with their online shopping experience dropped to seventy-four percent in January from eighty-eight percent in July 1998.

Forrester has also conducted a recent study, which stated that ninety-six percent of online book buyers said they were satisfied with their online shopping experience and would return to the online store they picked. Yet seventy-three percent of those same buyers said they might shop elsewhere (MSNBC #10).

In light of these numbers, Cooperstien, analyst for Forrester Research, said online retailers need to work harder to please customers by simplifying the buying process through personalization, better order tracking and one-click buying. This is why it is imperative for Amazon, Barnes and Noble and other companies to reduce their customer care cost. This could possibly be the reason for the recent decline of these companies stocks(MSNBC #10).

Many analysts have come to the conclusion that the online bookseller industry will succeed but will become a consolidated oligopoly between four or five companies. Competition will be fierce and the companies will have to change with consumer demand or they will lose their market share quickly. Analyst have tried to predict the future of industries for years; some are right, some are wrong, only the future will let us know how the online bookseller industry will turn out.

Amazon. com has formed several coordinated and strategic alliances that have been beneficial to the growth and expansion of market share in the online booksellers industry. These alliances have allowed the companies involved to share resources and distinctive competencies that enable them to achieve their individual strategic goals. By participating in joint ventures Amazon. com is able to establish new businesses and share the cost and the risk associated with new ventures.

Amazon. com is in coordination with Yahoo! , one of the Internet s largest distributor of information, to feature its online book-selling and other items using direct links and advertising banners. This alliance brings together the web s leading information provider and largest online bookseller to provide users with access to information on the Internet. The companies involved will also benefit by sharing distinctive competencies that will improve the strategic position of both companies. Yahoo! competencies include specialty programming, content distribution and networking of globally branded properties. As being the first online guide to the web, Yahoo also has brand recognition that will help to further expand the visibility of Amazon. com and broaden its customer base. Amazon brings to this business relationship core competencies such a reputation as the leading online bookseller, efficient distribution channels that allow for fast delivery to customers, and brand loyalty. These benefits can be attributed to Amazon. com s first mover advantage. As the innovator in the online book selling industry, Amazon. com has gained brand loyalty and key resources that play an integral part in its domination of this industry. Consumers that purchase items from Amazon. com that are satisfied with the service they receive will most likely buy from them again. This is indicative of how high psychological customer costs are associate with using another online bookseller, though the switching cost associated with changing vendors is low. This brand loyalty that customer exhibit is also a factor affecting rivalry in the five forces model. It reduces

Amazon. com s probability of losing customers to competitors such as Barnes and Noble. com and Borders. com. Key resources such as the location of distribution sites have also helped in securing Amazon. com s position as industry leader.

Amazon. com entered into a strategic alliance with Sotheby s Holding. This joint venture will entail the launching of an online auction site at sotheby. amazon. com. It will allow dealers around the world to participate in the auction of collectibles, Hollywood memorabilia, jewelry and art. Sotheby can bring to this alliance distinctive competencies such as its reputation and expertise in art and other valuable objects. This, along with Amazon. com s online technology and access to a broad customer base makes a viable alliance. Both companies will exchange complimentary skill and in the process benefiting from economies of scope.

Another strategic alliance was recently formed with Drugstore. com. This site offers more than 15, 000 brand name personal health care products, product information and a licensed pharmacy. The strategic objective of both companies encompasses the same goals of high quality, being customer focused, along with being the industry leader. This is an important element in determining the success of a strategic analysis. There are also some negative aspects to this newly formed alliance. Amazon owns a minority interest in this company, (46% of outstanding shares) which could potentially cause problems for Amazon. com in the future. The minority interest decreases Amazon. com s influence over matters such as restructuring, business philosophies, and management.

The macroenvironment is a tremendous force in shaping the outcome of the strategic alliances Amazon. com entered into. The factors shaping the social environment in both strategic alliances include a decrease in leisure time, increase in an international connection for dealers, and a vast decrease in travel time. Amazon responded by forming joint ventures with Sotheby s holdings and drugstore. com to create an online auction pharmacy. In the technological environment, Amazon has set the standards for the development of online book selling and the distribution channels that are utilized. Through its superior innovation, Amazon. com has dominated the online book selling as well as the online retail industry as a whole. Leaving its competitors to imitate its strategic position, Amazon stands to be the forever leader in this particular industry.

In conclusion, online retailing as a whole is increasing at an increasing rate. As far as the online booksellers, there is really only one suitable solution out there. Amazon. com s benefits and system of conducting business is almost untouchable. With the lowest prices in the industry, the largest selection, and the most brand recognition (52%), why would the average consumer gamble with the competition? All of the online booksellers stand to make impressive profits being that this industry is still growing; therefore, investments into these companies could very well be the investment of a lifetime.