Barnes and noble business assessment

Business

Barnes and Noble Booksellers MGT 499 Barnes and Noble was acquired by Leonard Riggio in 1974 after they had fallen into decline. He started hiscareerselling books early in his college career when he founded the Student Book Exchange or SBX. Once purchasing the rights to the name he quickly began transformations on the once giant retailer, making it into his dream, the worlds largest book store. In addition to all the Barnes and Nobles around today, Mr. Riggio also owns an operates over 600 college campus bookstores, like the one at Wright State University, which is where over 4 million students and 250, 000 faculty members buy their books.

InternalEnvironmentBarnes and Noble has many strengths which are quickly fading in the ever changing book market. When individuals think of a bookstore these days, typically two come to mind first, Barnes and Noble and their now dead competitor Borders. They had and still have the great strength of partnering with College Campus’s to operate their bookstores which allows them to connect with the consumers who typically spend the most on books (textbooks). With this being said, we also need to point out Barnes and Noble’s weaknesses.

This can be summed up by saying that their lack of innovation failed to keep up with consumer trends and the changing market. Barnes and Noble is now trying to compete in thetechnologymarket by the creation and selling of their Nook, which is essentially an IPad where you can download and read books electronically. Barnes and Noble’s currentleadershipteam consist of: Leonard Riggio- Founder and Chairman William Lynch - CEO Michael P. Huseby - Chief Financial Officer Chris Trola - Chief Information Officer Mary Ellen Keating- Senior VP of CorporateCommunicationand Public Affairs

Competitive ConsequencesPerformance ImplicationsValuableRate Non SubstitutableCostly to Imitate Sustainable C. A. AARNoYesNoYes Temporary C. A. Avg - AARYesYesYes/NoYes Competitive ParityAvg ReturnYesYesYes/NoNo Competitive DisadvantageBelow Avg ReturnNoNoYes/NoNo Mergers and Acquisitions Barnes and Noble has had several mergers and acquisitions, but only a few are extremely important when we look at the financial impact and operations impact they had on the company. In 1987, it purchased B. Dalton Bookseller from Dayton Hudson.

This acquisition of 797 retail bookstores made it Barnes and Nobles largest acquisition and opened consumers eyes across the nation to the then second largest bookseller in the United States. Another major one that hit news headlines was in 1999 when Barnes and Noble acquired Babbage’s Ect. , which is now known as GameStop. Barnes and Noble had control of GameStop until 2004 when the game store bought back 6 million shares from the bookstore to gain its independence. The next and most important acquisition occurred in March of 2009 when Barnes and Noble acquired a company called fictionwise which is now known as eBook marketplace.

This was the first step they made into the digital world of books with their Nook. This was by far their most important acquisition because it was an attempt to meet the demands of the ever changing market by inserting themselves into the digital book market place. The External Environment When talking about the external environment in terms of Barnes and Noble, the company has many strengths and weaknesses. Starting with the demographics, Barnes and Noble attracts a wide range of consumers, from students to elderly for either educational purposes or recreational purposes.

The wide range of demographics is because most consumers either have to read for school or like to read for recreation or entertainment. Today, the retail stores draw mainly an older audience while the stores on college campuses attract mainly just college students. The economics of Barnes and Noble go hand and hand with the sales of the company. Not to long ago there was a rumor that Barnes and Noble was going to be bought out by a company named Liberty which causes the stock to spike 30% in one day. It soon there after returned to its $14 dollar range, which was a 16% decrease from previous years caused by the company announcing a . 6 million dollar loss.. There are also other factors at work in the market that are affecting Barnes and Noble negatively. One of the biggest players that impact B and N is Amazon, and their online, digital marketplace of books where the consumer and compare prices and find the cheapest option. Barnes and Noble has struggled to compete and overcome this obstacle since a majority of their previous consumers are now looking in their stores then going to the internet and Amazon to find cheaper prices. When it comes to bargaining power, Barnes and Noble is between a rock and a hard place.

They would love to compete with the low prices their competitors offer, but cannot drop below certain prices because they must have some sort of profit margin on the sale of their books after the authors take their cuts. Competition Barnes and Noble has millions of competitors because anyone with a computer can put a book on the internet to sell these days. However, this being said, there are a few formal competitors out there that greatly impact Barnes and Noble and their bottom-line. The biggest competitor is by far Amazon.

Amazon is an online giant that sellers and buyers can place all of their new and used books on the market at their own set prices. This allows a consumer to “ shop” for the cheapest price for the quality of book they desire to purchase. This was one of the major reasons a previous competitor in the industry, Borders, closed its doors not to long ago. Barnes and Noble has identified that they are in a changing market and that they need to adapt to the changes being made around them. This was the goal of the launch of the Nook in 2010.

The Nook is a digital tablet that operates on Android software that gives access to the eBook Marketplace. This allows consumers to purchase books at cheaper prices and have them downloaded directly to their tablet for easy reading. Launching the Nook took Barnes and Noble into a different field which they had not previously experienced with other competitors. Now in addition to competing with retail bookstores, Barnes and Noble is also competing with Apple’s IPad, Amazon’s Kindle, RIM’s BlackBerry Tablet, and all other technology companies who are launching their tablet style computers onto the market.

So now Barnes and Noble is competing with Apple, Amazon, RIM, EBAY and thousand of other smaller retailers. That is not a group I would like to be competing against. Barnes and Noble’s Struggles On October 29 of 2011, Barnes and Noble announced it 6. 6 million dollar loss or 17 cents per share to the public. This was just months after their biggest competitor in the retail side of the business closed. Some would think the closing of Borders would allow Barnes and Noble to grow, but the decline across the table shows that bookstores are a dying industry, and one that a smart investor would most likely not invest in.

Fastforward a year to 2012. Barnes and Noble announced that it was projecting a loss of between $1. 10 and $1. 40 per share. As of late Barnes and Noble has been pumpingmoneyinto the development and marketing of its Nook, the electronic book of the future. The question that needs to be asked here though is can the Nook really support an entire company with it having to compete against the IPad and the Kindle? Although the Nook has created the greatest revenue for the company, it is really all it has going for it.

Liberty Technology offered to buy Barnes and Noble for a whopping 1. 03 billion dollars, this just to acquire the rights to the Nook which Barnes and Noble promptly turned down. But although the company is making money selling this tablet, the gap between the number of IPad users and Kindle users compared to Nook users is growing wider every day. Corporate Level Strategy Barnes and Noble’s strategy is extremely easy, offer customers inexpensive books. This is the cost leadership and a differentiation strategy that we learned in class.

Barnes and Noble found a hole in the retail bookstore industry, which focused on bigger named, and newer types of books and well known authors that topped the best sellers list, that the bookstores then sold at a extremely high costs. The best seller books were not sources for great gain for Barnes and Noble though. Barnes and Noble found, that the customers wanted inexpensive books, regardless of author of rank on the best selling list. By publishing books internally through their company they were able to increase their profits.

Differentiation was also prevalent in the cost leadership strategy because of the companies intense focus on the outside of the top seller list which only accounted for 3% of the companies Today however, although the retail side of the industries corporate level strategy remains the same, the insertion of the Nook has caused the company to take is cost leadership and differentiation strategy and focus it toward the online eBooks marketplace, selling those cheap books through a digital market. International strategy

Barnes and Noble has 691 stores covering all 50 states and 641 stores on college campuses, but has no stores in other countries. At this time is has no intention of spreading globally and says that it meets the demand of the international markets by its website. Recommendation Moving Forward At this point in timeI believethe best strategy for Barnes and Noble would be to sell off the company to a company like Liberty to maximize profit for the stockholders. Although their current business strategy with the Nook is succeeding, that piece of technology does not have the capability to support an entire company by itself.