

Reinventing Retail: The Novel Resurgence of Independent Bookstores

Ryan L. Raffaelli

Working Paper 20-068



Reinventing Retail: The Novel Resurgence of Independent Bookstores

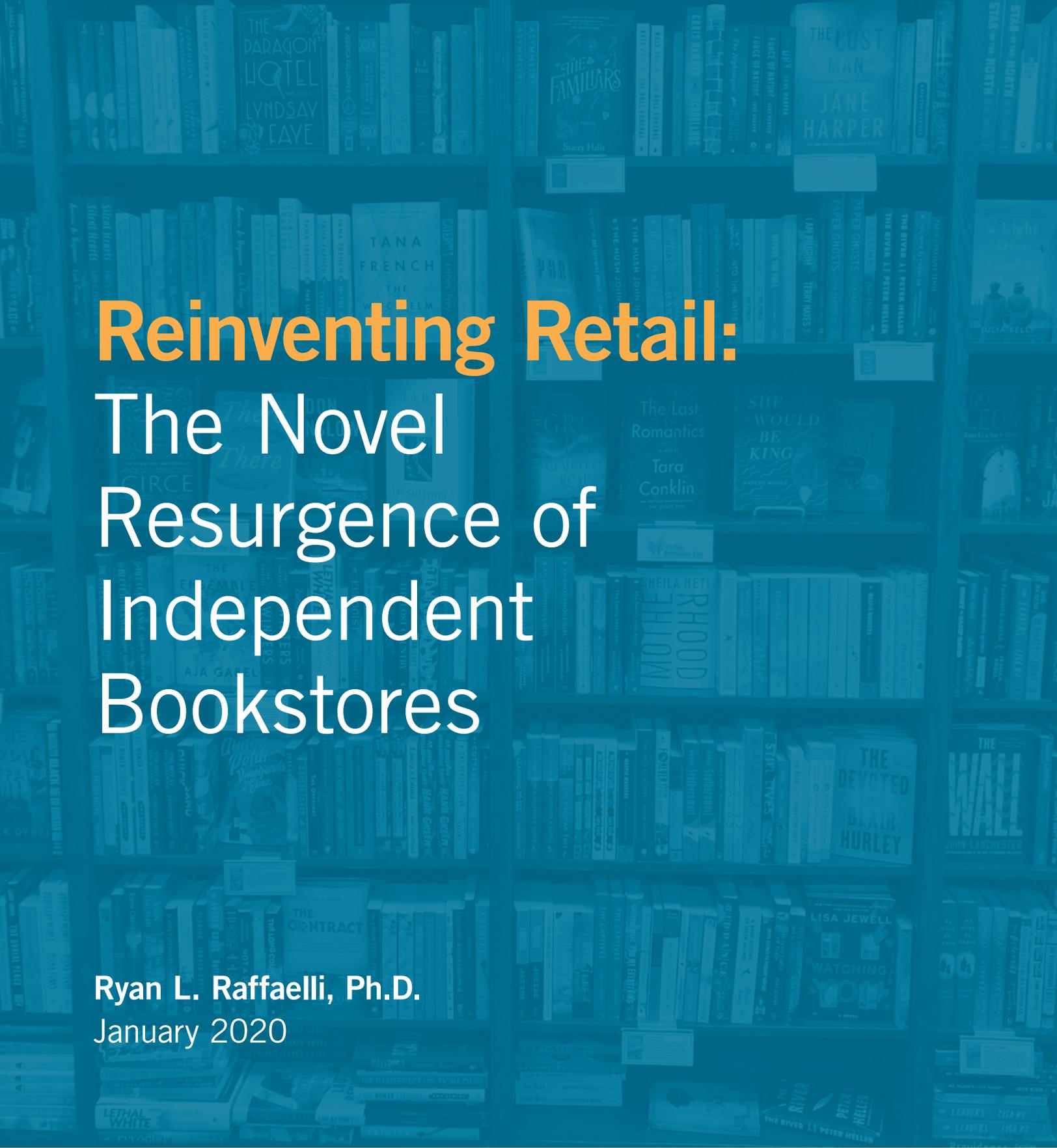
Ryan L. Raffaelli
Harvard Business School

Working Paper 20-068

Copyright © 2020 by Ryan L. Raffaelli.

Working papers are in draft form. This working paper is distributed for purposes of comment and discussion only. It may not be reproduced without permission of the copyright holder. Copies of working papers are available from the author.

Funding for this research was provided in part by Harvard Business School.



Reinventing Retail: The Novel Resurgence of Independent Bookstores

Ryan L. Raffaelli, Ph.D.
January 2020

My research examines how industries, organizations, and business leaders reinvent themselves in the face of radical technological change. In the context of retail, seismic shifts are affecting the way consumers engage with online, big box, and local retailers. Independent bookstores provide a story of hope for community-led businesses.

—RYAN RAFFAELLI

AT A GLANCE

This study examines how community-based brick-and-mortar retailers can achieve sustained market growth in the face of online and big box retail competition.

The appearance of Amazon.com in 1995 led to a significant decline in the number of independent bookstores in the United States, leading many analysts to predict the demise of the sector. However, between 2009 and 2018 independent bookstores proved to be far more resilient than expected. The American Booksellers Association (ABA) reported a 49% percent growth in the number of “indie” booksellers, from 1,651 in 2009 to 2,470 in 2018.

This study identifies “3C’s” that contributed to the independent bookstore resurgence:

- **COMMUNITY:** Independent bookstore owners promoted the idea of consumers supporting their local communities by shopping at neighborhood businesses. Independent bookstores won customers back from Amazon and other big box players by stressing a strong connection to local community values.
- **CURATION:** Independent booksellers began to focus on curating inventory that allowed them to provide a more personal and specialized customer experience. Rather than recommending only bestsellers, they developed personal relationships with customers by helping them discover up-and-coming authors and unexpected titles.
- **CONVENING:** Independent booksellers started to promote their stores as intellectual centers for convening customers with likeminded interests—offering lectures, book signings, game nights, children’s story times, young adult reading groups, even birthday parties. Some bookstores routinely host over 500 events a year.

Simultaneously, the ABA played an important role in disseminating best practices and data, reinforcing the sector’s core values, setting up external partnerships, and advocating on behalf of its independent bookstore members.

Given these findings, the study’s main takeaways and recommendations are:

- 1 Communicate the value of community and encourage customers to participate in a broader movement to shop local.
- 2 Compete primarily on experience and quality, not on price and inventory.
- 3 Establish the bookstore as a gathering place by offering events that consumers view as unique experiences. Events should cater to local tastes and the specific interests of the community.
- 4 Contribute to (and utilize) industry data on emerging independent retail trends.
- 5 Share leading practices with other independent retailers (e.g., through industry/ small business associations, local Chambers of Commerce/institutes, etc.).



TABLE OF CONTENTS

- 5 Preface
- 5 Part 1: Methodology
- 6 Part 2: Landscape
- 9 Part 3: Key Ingredients
- 21 Part 4: Challenges and Recommendations
- 22 Conclusion
- 23 Appendix: Diagnostic
- 27 About the Author

PREFACE

The purpose of this white paper is to summarize the preliminary findings of a multi-year study conducted by Harvard Business School professor Ryan Raffaelli on the resurgence of independent bookstores in the United States from 2005 to 2018. The study offers insights for local businesses and communities responding to threats from online and corporate retail competition. A formal academic paper is in progress.

PART 1: METHODOLOGY

Data collection and analysis included hundreds of hours of observation of bookstore activity and industry conferences; 258 interviews and focus groups with bookstore owners, publishers, and prominent authors; in-person field visits to dozens of bookstores in 26 states; and an analysis of 915 newspaper and trade publication articles that mentioned independent bookselling. The author also attended a training course on how to open an independent bookstore.

The study employs qualitative methods where the author embedded himself into the industry for eight years to understand behavioral patterns and potential underlying causes of the sector's resurgence. Longitudinal quantitative analysis of industry performance data supplemented the patterns and findings induced from the author's field data.

An inductive analytic approach was used to analyze the interview, archival, and participant observation data. Data were coded for patterns within and across each of the sources. *Publishers Weekly* (*PW*) articles serve as the primary source for the findings presented in the graphs found in this white paper; the other data sources confirmed these trends.

* *Publishers Weekly*, a magazine founded in 1872, "familiarily known in the book world as *PW* and 'the bible of the book business,' is a weekly news magazine focused on the international book publishing business. It is targeted at publishers, booksellers, librarians, literary agents, authors and the media."

Source: *PW* "About Us" website: <https://web.archive.org/web/20150401132706/http://www.publishersweekly.com/pw/corp/aboutus.html>

PART 2: LANDSCAPE

In 1995, the American Booksellers Association (ABA), a nonprofit trade association dedicated to the promotion of independent bookstores, reported a historical high in the number of independent booksellers in the United States.¹ However, 1995 also marked the launch of Amazon.com, which offered consumers virtually unlimited inventory at far lower prices than brick-and-mortar bookstores. Consumers flocked to Amazon's online platform, and five years later the number of independent bookstores had dropped by 43%,^{*} according to the ABA. Compounded by nearly two decades of price wars and competition from big box retailers such as Barnes & Noble and Borders, the success of Amazon led many industry analysts to predict the collapse of the US independent bookselling sector altogether. Further exacerbating these challenges, in 2007 the industry faced another technological shock when Amazon launched its Kindle eReader, an electronic reading device meant to displace traditional printed books. As one analyst noted in an interview with the author, "We expected print books to go out of print."

"Retail Apocalypse"²

Since 2010, analysts have warned of a "retail apocalypse:" the collapse of brick-and-mortar retailers in the wake of online competition. According to a 2017 Credit Suisse report³ between 20% to 25% of malls will close by 2022. Brick-and-mortar bookstore retail has also been hit, as evidenced by Borders' 2011 bankruptcy and Barnes & Noble's overall drop in number of stores (from 681 stores in 2005 to 630 stores in 2018).⁴ Further, local retailers have struggled to compete with cheaper and more accessible products found on online platforms such as Amazon. Compounding these challenges, booksellers faced single-digit margins.

"The hard math of running a bookstore is that most run on a razor-thin net operating margin of 0%–4%," according to a 2018 editorial in Publishers Weekly.⁵

* ABA member store data is available for the following years: 2006 and the period of 2009-2018. A two-year moving average was created in order to create the graphical line to account for missing data.

A Catalogue of Competitors

Independent booksellers have faced numerous competitive threats and technological shocks over the past 40 years (see *Fig. 1*). In the 1980s, independent bookstores faced the rise of chains like Waldenbooks and B. Dalton. In the 1990s, the growth of big box retailers like Barnes & Noble and Borders corresponded with the dramatic decline of ABA membership. In 1995, a month after its initial launch, Amazon.com reported it had sold books in all 50 states and 45 countries.⁶ Following this, in 2007 the first e-readers and e-books arrived and threatened the dominance of printed books.

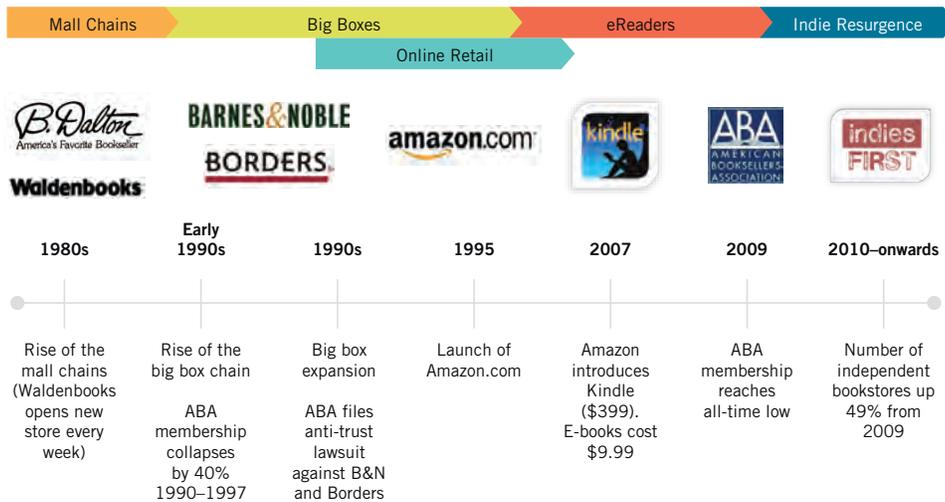


Figure 1: Catalogue of Competitors. Source: Analysis by author.

In response to big box and online competition, the ABA filed several lawsuits citing unfair pricing and anticompetitive behaviors among publishers and corporate booksellers that had left independent booksellers with limited bargaining power to negotiate similar prices and promotional allowances.⁷

An analysis of *PW* articles for mentions of competitors (e.g., Amazon, e-books, and big box retailers) revealed that starting in 2008 independent booksellers identified Amazon as their primary competition (see *Fig. 2*). After Borders went bankrupt in 2011, independent booksellers stated in interviews that Barnes & Noble had become an unexpected ally. The superstore's purchasing power and sway with publishers served as an important counter-balance preventing an Amazon monopoly. *Showrooming*, the phenomenon of a customer taking a picture of a book in a bookstore only to then buy it from Amazon, continued to threaten brick-and-mortar retailers.

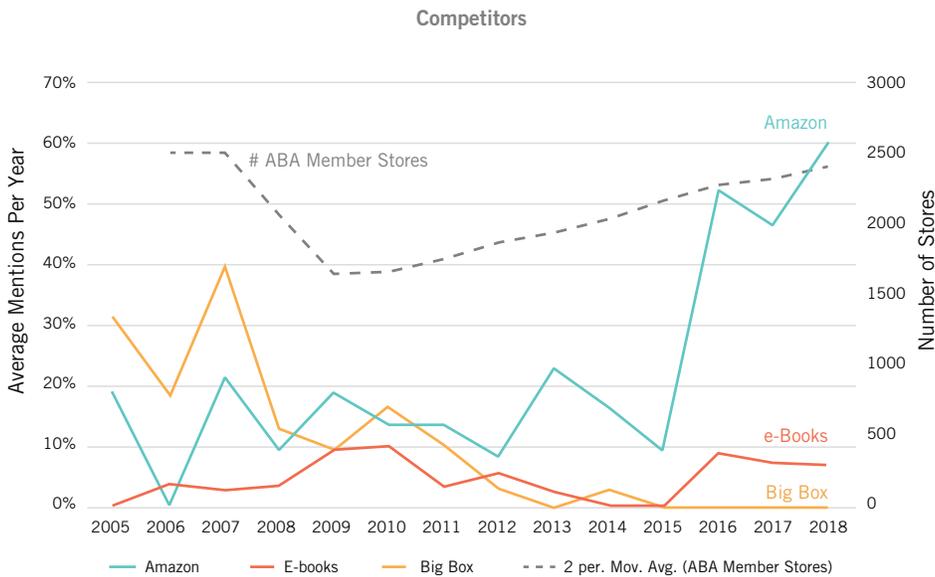


Figure 2: Average mentions of competitors mentioned in PW.
Source: Analysis by author.

The Unexpected Resurgence of Independent Booksellers

By 2009, the ABA reported an all-time low in its membership and the number of independent bookstores operating in the U.S. The competitive threats and technological changes booksellers have faced over the prior 40 years were enough to decimate many forms of local retail. Yet starting in 2010, ABA membership unexpectedly began to rise (see Fig. 3).⁸

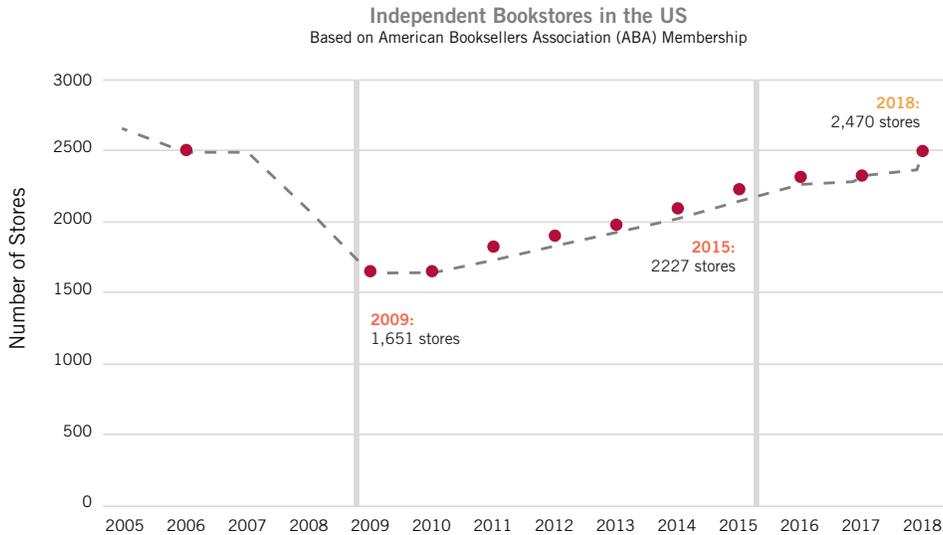


Figure 3: The Resurgence of Independent Bookstores

At its annual conference in 2015, ABA CEO Oren Teicher opened his keynote address by stating, “It is a great time for indie bookstores. Bigger is not always better. We’ve shown it’s possible to change and adapt. We’ve redefined who we are.” Analysis of archival data supported a corresponding increase in positive sentiment among industry players that can be seen starting in 2010 (see Fig. 4).

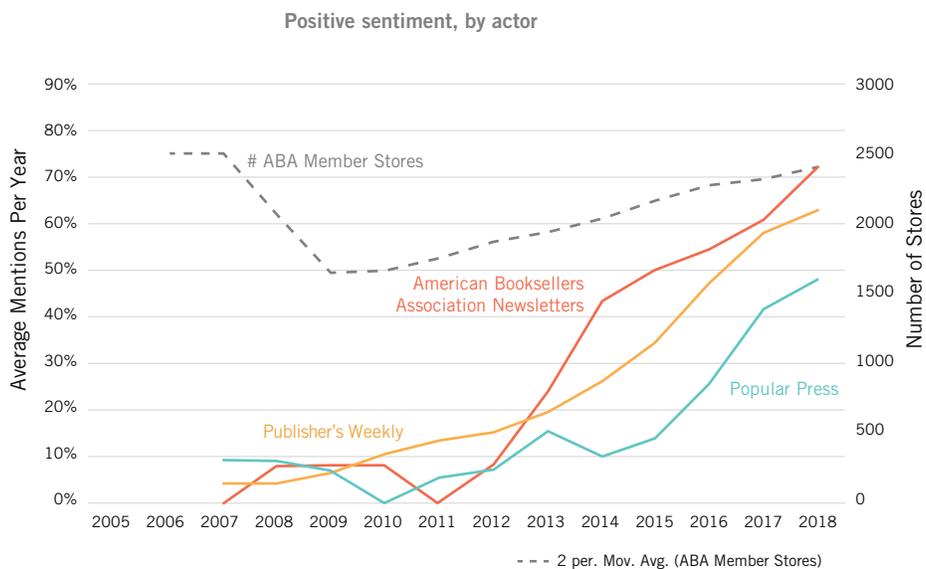


Figure 4: Positive sentiment across ABA, popular press, and *PW* (refers to an article mentioning a positive outlook for the industry that included mentions of improving financial performance, customer numbers, etc.).
 Source: Analysis by author.

PART 3: KEY INGREDIENTS IN THE RESURGENCE OF INDEPENDENT BOOKSELLING

Successful independent booksellers have drawn on a wealth of collective experience and a passion for bookselling to differentiate themselves from online and big box retailers. Field interviews and analysis of archival data reveal three elements that have been key to the sector's recent resurgence: community, curation, and convening. In addition, the ABA and regional associations have played an important role in cultivating a common identity and shared best practices among booksellers at events like the annual ABA Winter Institute and other regional conferences.





PRINTED BOOKS REMAIN RESILIENT IN THE FACE OF E-BOOKS

An initial rush to buy Amazon’s Kindle e-reader during the 2007 holiday season led many analysts to predict a rapid decline in demand for printed books. In response, Barnes & Noble launched its Nook e-reader in 2009, and the ABA announced partnerships with Google and later with Rakuten’s Kobo e-reader platform.⁹ According to interviews with booksellers, the initial spike in e-reader sales may not have been driven only by core bookstore customers, but by friends and family looking to purchase the holiday season’s most-hyped electronic gadget for their favorite reader.

Doubts about the future of the printed book category have decreased over the last five years. According to Barnes & Noble annual statements (see *Fig. 5*), sales of e-books fell 10% from 2016 to 2017; Amazon does not publish data on its e-book sales. Consumers continue to read on the printed page—sales of printed books have increased every year since 2013.¹⁰ Independent bookstore owners enthusiastically report that printed books have maintained their appeal among older and younger readers alike.¹¹

That fact that demand for the printed book has remained viable may be one factor that distinguishes independent bookstores from other retail sectors previously upended by digitalization (e.g., travel agents and music store retailers).

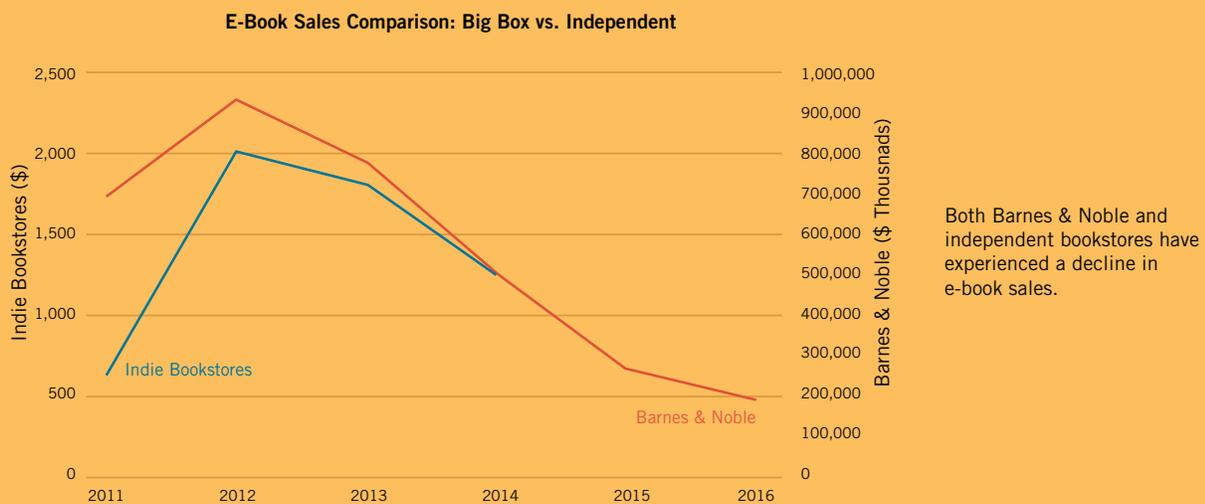


Figure 5: E-book sales for independent stores and Barnes & Noble
 Source: ABA ABACUS member surveys, Barnes & Noble Company Annual Statements



COMMUNITY

“INDEPENDENT BOOKSTORES ACT AS COMMUNITY ANCHORS; THEY SERVE A UNIQUE ROLE IN PROMOTING THE OPEN EXCHANGE OF IDEAS, ENRICHING THE CULTURAL LIFE OF COMMUNITIES, AND CREATING ECONOMICALLY VIBRANT NEIGHBORHOODS.”

—ABA WEBSITE (“ABOUT ABA”)

Description

Independent bookstore owners long promoted the idea that consumers can support their community’s economic interests by shopping at independent retailers. Independent booksellers were some of the first to champion localism: the idea of supporting a community’s economic interests by shopping at neighborhood businesses. Doing so won customers back from Amazon, Barnes & Noble, and other corporate competitors by stressing a strong connection to local values. Interviews and analysis of articles in *Publishers Weekly* from 2005 to 2018 increasingly mentioned the role of “community,” referring to bookstores as building a strong connection to local community values and attaching themselves to a broader movement to shop local (see Fig. 7).

Examples

“I recognize that we’re not really in the same business as Amazon. You can buy a book anywhere, but you can’t buy community.”

—Bookseller

“We basically took our relationship to the community and redefined what the bookstore is. It is about the community which surrounds the bookstore and those interactions between author and reader, and readers and booksellers, and readers with each other.”

—Bookseller

LOCALISM AS A SOCIAL MOVEMENT

This study’s analysis shows that references to localism in *PW* rose from 30% in 2007 to consistently around 60% starting in 2014. In many communities, independent bookstore owners began championing localism as a social movement.¹² Localism helped consumers connect their own buying behaviors and identity with the role they could play in supporting the local economy. When American Express started its “Shop Local” and “Small Business Saturday” programs, independent booksellers often served as key players. The ABA later leveraged the localism movement by creating marketing campaigns, such as IndieBound, to encourage the shop-local movement across the US. Over the past ten years, analysis of archival articles suggests that the ABA began to focus less on promoting its activism activities (e.g., antitrust litigation against corporate competitors), and instead, embraced a more proactive communication strategy that focused on localism (see Fig. 6).



Figure 6: Activism and localism focus
Source: Analysis by author.

Interpretation

- Independent booksellers have been able to build community by promoting core values and topics most relevant to consumers who live nearby.
- Independent booksellers have been able to educate consumers on why shopping local is worth the higher price that often comes from supporting independent retailers.
- A core segment of book-buying consumers who drive sales in independent bookstores is attached to the bookstores' communal identity. When a consumer shops at an independent bookstore, they are reinforcing a set of beliefs that they have about themselves and their ability to contribute to the economic welfare of their local community.

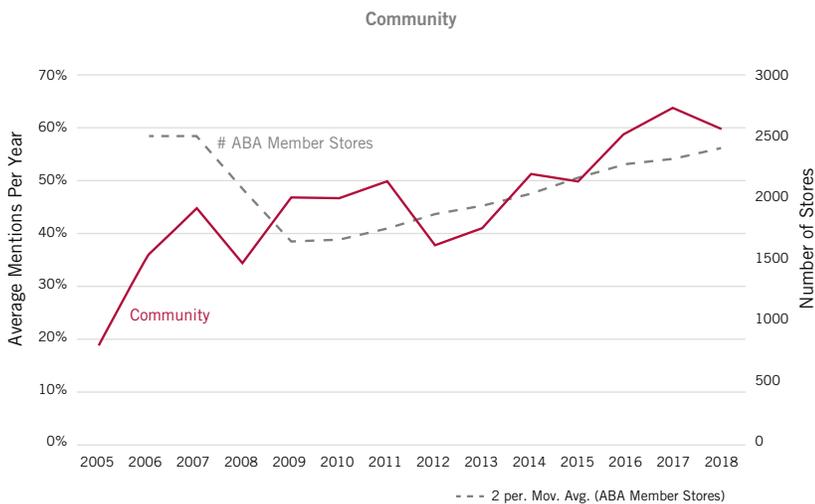


Figure 7: Mentions of community appear in approximately 20% of 2005 *PW* articles and increase to approximately 60% of 2018 *PW* articles, which is largely correlated with the resurgence of independent bookstores during the same period.

Source: Analysis by author.



#BOOKSTAGRAM: THE ROLE OF SOCIAL MEDIA

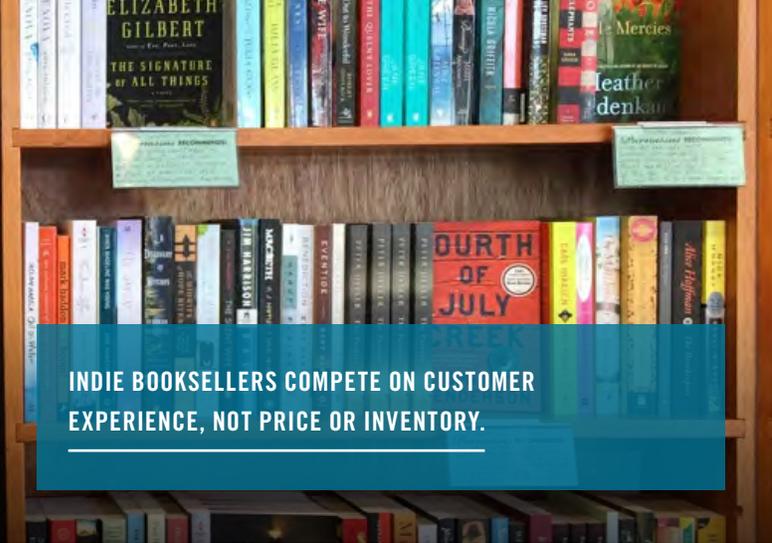
A new generation of customers has begun to think about building community not only in terms of a locality and physical space, but also as an online space. Successful independent booksellers have woven both communities together by developing a more direct and personal relationship with their customers through Instagram, Facebook, Twitter, and Tumblr. Consumers often share their bookstore experiences on Instagram using the hashtag #bookstagram; that hashtag has been used on more than 25 million photos on the site since 2010.¹³

By using social media, independent bookstores have been able to cultivate an online ecosystem of authors, community events, and the shop-local social movement. Doing so has helped bookstores extend a conversation with their consumer beyond the bookstore into a larger space that includes the bookseller, authors, and likeminded readers with similar interests. The connection between the physical and online communities strengthens both.

The key to independent bookstores' growth in the digital era has been their strong and deep ties to neighbors. Independent bookstores are seen as authentic members of the community who have been active, in many neighborhoods, for decades and multiple generations. A robust digital presence has reinforced these communal connections.

"We've invested a lot of money into creating a more robust digital presence...we have tens of thousands of Facebook followers and people following our tweets. We have a healthy social media presence, which we use to mobilize people to support our physical bookstore."

—Bookseller



Description

Rather than compete with Amazon on price and inventory, independent booksellers have focused on curating inventories that offer a more personal and specialized customer experience. The practice of curation, the ability of bookstores to carefully select and guide customers to a specific book, has proven a successful way to help consumers narrow their reading choices. Booksellers possess a unique ability to find unexpected hidden gems in their stacks—whether it be up-and-coming authors or unexplored genres—that online algorithms have yet to fully replicate. Analysis of *PW* articles illustrates how mentions of curation have increased significantly since 2014 (see *Fig. 8*).

Examples

“Indie booksellers say their survival now depends on building relationships with consumers to determine their tastes. Not relying solely on the latest bestsellers. It’s the business of recommending and selling books based on the books we love.”

—*Bookseller, quoted in Publishers Weekly*

“The real pleasure in bookselling comes in pairing the right book with the right person.”

—*Bookseller*

COMPETING AGAINST THE AMAZON ALGORITHM: THE PRACTICED ART OF “HANDSELLING”

Online shopping platforms present consumers with seemingly unlimited inventory. However, research suggests that consumers can become overwhelmed when presented with too many options and seek guidance on how to narrow their choices.¹⁴

Rather than stocking larger inventories, indie booksellers have mastered the art of “handselling” books that are uniquely tailored to specific tastes of the readers who most frequent their stores. The practice of handselling involves an expert bookseller asking the consumer a series of questions about their recent reading habits, then handing them the “perfect” book (often an unexpected hidden gem not found on popular bestseller lists). To accomplish this task, independent bookstores employ talent who are themselves voracious readers and possess deep knowledge and passion for books. Consequently, booksellers serve the role of matchmaker between a customer and each book on the shelves in the store. They try to expose readers to up-and-coming authors before anyone else, or steer the reader into genres he or she might not venture into without expert guidance. Booksellers keep an ear to the ground for soon-to-be best-selling books by monitoring the reading habits of visiting authors, publishers, and their most loyal customers.

While artificial intelligence and algorithms are becoming the norm to help retailers anticipate consumer buying behaviors, indie bookstores have been able to counter this trend by offering a unique personal buying experience where the consumer enters into a relationship with a bookseller, often over a series of ongoing conversations about their evolving reading preferences. Artificial intelligence-based algorithms have yet to fully replicate the human experience associated with the art of handselling that successful independent booksellers have mastered.

Interpretation

- Bookstores have relied on the practice of curation to combat the challenge shoppers often face when trying to figure out what to buy from the seemingly unlimited inventory of Amazon, popularly known as “the everything store.”
- Booksellers often curate a collection of titles for local customers that showcase homegrown authors or titles specific to that geography (e.g., an independent bookstore in Montpelier, Vermont, may feature books in the store’s geographic section on how to forage for mushrooms).
- The use of “shelf-talkers”—small pieces of 3x5 inch note cards that hang over the shelves with handwritten notes from the bookstore staff explaining why they love a book—serves as an effective tool to recommend books in a more personal way. They reinforce the unique personal connection between the consumer and bookseller (who are often voracious readers themselves).

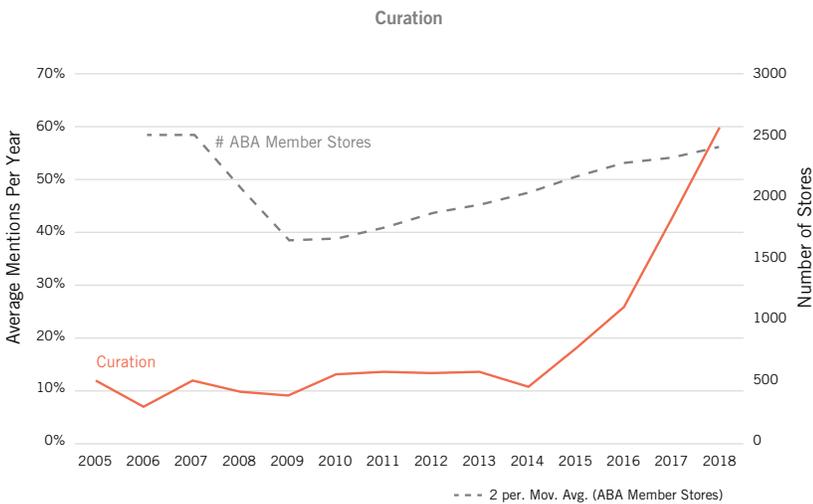


Figure 8: Mentions of curation appear in approximately 10% of 2005 *PW* articles and increase to approximately 60% of 2018 *PW* articles.

Source: Analysis by author.



EFFECTIVE SIDELINES

Sidelines are products, other than books, sold in bookstores (e.g., notebooks, greeting cards, pens and pencils, food and beverages, clothing, pendants, reading glasses, and keepsakes). Because the profit margins on books are extremely thin, sidelines serve as an effective way to bolster store profitability.

Effective sidelines can extend a store’s book inventory to include related products. For example, memorabilia like t-shirts or “literary socks” with references to famous authors or quotes have been shown to appeal to passionate readers. Bundling books with sidelines has also proved effective (e.g., a bookstore’s cookbook section may also include cooking utensils).

Booksellers carefully curate the types of sidelines they offer to mitigate the risk of being perceived as just another gift store. Optimizing for the right mix of books and sidelines can be difficult. Booksellers report the importance of not overextending sidelines, at the risk of potentially tarnishing what makes them unique.

Photo: An entire wall of literary-themed socks at the Strand Bookstore, NYC.



CONVENING

BY POSITIONING THEMSELVES AS A CONTEMPORARY FORM OF THE AGE-OLD WATERING HOLE, BOOKSELLERS HAVE BECOME VIBRANT COMMUNITY GATHERING PLACES.

Description

Independent bookstores have proven to be places where likeminded individuals can convene to exchange ideas and enter into conversation. According to interviews conducted for this study, some bookstores host as many as 500 book and non-book-related events a year, including author talks, children’s story time, birthday parties, young adult book launches, book readings, cooking demonstrations, coffee brewing, arts and crafts, board games, and storytelling events (often with books sold as part of a fee for admission). Mentions of convening in *PW* have risen consistently over the past decade (see *Fig. 9*).

Examples

“If we see our products as books and what we compete on price, we lose. If we see our product as an experience, of which books are one piece, then we can compete.”

—*Bookseller*

“One night I was standing outside watching. We had a Spanish-language event with about 40 people. We had an English-speaking author in another part of the store. We had music in our courtyard. Our café was filled in the back...and I’m thinking, ‘This is heaven.’”

—*Bookseller*

INDEPENDENT BOOKSTORES SERVING AS THIRD PLACES AND ANCHORS OF AUTHENTICITY

Two elements have allowed booksellers to embed themselves as places where individuals with similar interests can convene and interact with each other:

THIRD PLACES: Booksellers have long adhered to sociologist Ray Oldenburg’s premise of a third place, i.e. a gathering place where people come together outside of home or work that is “accessible to the general public and does not set formal criteria of membership or exclusion.”¹⁵ Over the last two decades, many booksellers have amplified and extended this concept to make it core to their differentiation strategy. For example, Seattle’s Third Place Books has intentionally created a community of book lovers who embrace the store as a “fun, comfortable, and safe place to browse, linger, lounge, relax, read, eat, laugh, play, talk, listen, and just watch the world go by.”¹⁶

ANCHORS OF AUTHENTICITY: Historically, large national department stores in shopping malls, such as Sears, Kmart, and J.C. Penney, have served as anchor tenants, drawing in customers who will patronize other nearby specialized shops. As many shopping malls close,¹⁷ retail estate developers have begun looking for new ways to attract consumers to brick-and-mortar shopping centers.¹⁸ According to interviews with prominent real estate developers, independent retailers are increasingly becoming “anchors of authenticity,” shopping destinations a consumer will visit in search of a unique experience that cannot be replicated by a chain of big box stores.¹⁹ In the case of bookstores, readers may choose to visit a shopping location so they can spend the afternoon reading at an independent bookstore café, and then shop at several nearby local businesses. Through practices like community, curation, and convening, bookstores authentically connect consumers with the values (e.g., localism) they may espouse.

Interpretation

- Booksellers have reframed their role as intellectual centers for convening: gathering places that leverage their physical presence in the community.
- The perception of the bookstore as a place where people can come not only to buy a book, but to have a conversation with other people who are interested in similar ideas, further cements their place in the neighborhood.
- Booksellers often co-host events with Chambers of Commerce and schools. Doing so lends further credibility to their role as a valued partner in the community.

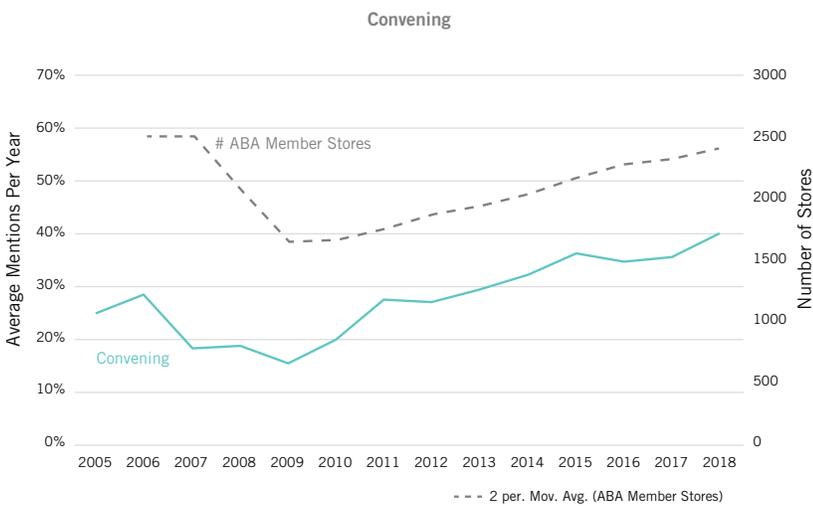


Figure 9: Mentions of convening appear in approximately 25% of 2005 *PW* articles and increase to approximately 40% in 2018. This upward trend is tightly correlated with an increase in the number of independent bookstores over the same period.

Source: Analysis by author.



DISCRETIONARY TIME: ANOTHER FORM OF COMPETITION

According to interviews, independent booksellers are now competing for customers' discretionary time. When looked at as a competition through this lens, competitors include Netflix, Facebook, and other activities that keep people in their homes. As Netflix CEO Reed Hastings said, "There's such a broad range of things that you do to relax and unwind, hang out, and connect—and we compete with all of that." Bookstores compete in a similar way for people's discretionary time by offering events that entice people out of their homes and into the store, where they are potential consumers.

To compete successfully with these other forms of entertainment, booksellers have invested greater time and resources in hosting high quality events. Many bookstore owners have reported the need to hire full- or part-time event managers adept at creating events and experiences that people are willing to spend their valuable discretionary time on.



ENGAGEMENT WITH OTHERS IN THE INDEPENDENT BOOKSELLING SECTOR

A STRONG INDUSTRY ASSOCIATION IS ABLE TO DIFFUSE LEADING PRACTICES, AGGREGATE DATA, AND CODIFY CORE VALUES.

Description

While independent booksellers have continued to experiment with old and new practices at the local level, important top-down coordination work has been going on at the ABA and at other regional associations. The ABA has served as a glue to bind likeminded players together—facilitating partnerships between bookstores and potential national partners sympathetic to the needs of independent retailers, such as audiobook providers and website hosting services. The ABA also aims to strengthen the collective identity of indie bookstores by helping members share best practices and creating off-the-shelf guides on topics germane to members across the country.

Conferences hosted by the ABA and local regional associations have allowed booksellers to learn from each other. The ABA's Annual Winter Institutes have been instrumental in diffusing practices among the hundreds of booksellers and industry actors in attendance at these events over the past 15 years. According to the ABA, there was nearly a 40% increase in attendance at their annual Winter Institute conference from the year before, with 200 first timers²⁰ attending.²¹ Other industry, regional, and ABA events that bring actors together have helped the owners and booksellers share best practices, reaffirm their core values, and discuss relevant emerging industry trends.

IMPORTANCE OF INDUSTRY ASSOCIATIONS IN NEGOTIATING EXTERNAL PARTNERSHIPS

Industry and trade associations play an important role in negotiating industry partnerships on behalf of their members that would otherwise be challenging for independents to do individually. Associations can assume some of the risk and responsibility for negotiating partnerships with various external entities. Partnerships often function like experiments, which allow for the industry to test and scale practices. For example, the ABA has had varying degrees of success (and setbacks) in partnering with various e-book and audiobook entities. They have also partnered with e-commerce and web platform companies to offer templates for independent booksellers to create their own websites.

Example

“The reason that the Winter Institute is a success is because we can put seven to eight hundred entrepreneurs under one roof and we get them to interact with each other. When you own and operate a retail business, you can often feel very isolated.”

—Oren Teicher, outgoing ABA CEO

Interpretation

- The ABA has been able to promote a common collective and professional identity among independent booksellers. It has helped to institutionalize a set of shared values held by booksellers across the field, while simultaneously allowing each local bookstore to maintain its independence and a unique identity.
- Events like the Winter Institute and regional conferences facilitate the diffusion of practices associated with curation and convening. The ABA also plays an important role in reinforcing “indie” values, setting boundaries for membership, and facilitating partnerships with other like-minded actors (e.g., government officials and other local independent business associations that would support and reinforce the localism movement).
- The ABA has also negotiated partnerships on behalf of bookstores so that individual bookstores do not have to do so alone (see sidebar on *Importance of Industry Associations for Testing and Scaling New Practices*, p. 17).
- Booksellers have been spending more time together at Winter Institutes since 2005 (see *Fig. 10*). Not only are booksellers spending more time together, but the diversity of the types of events is increasing (e.g., think tanks).

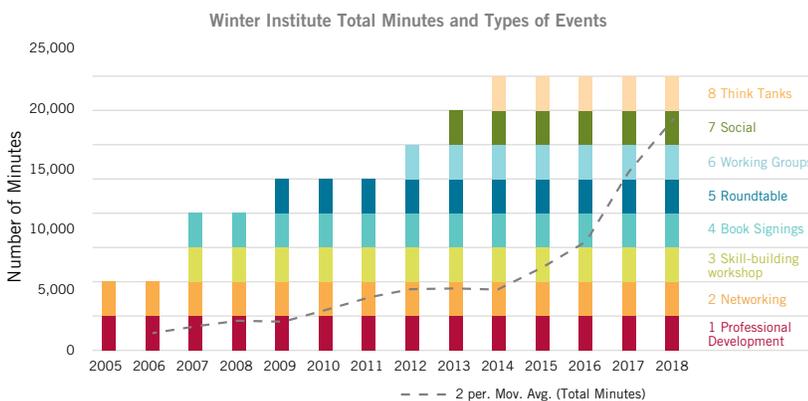


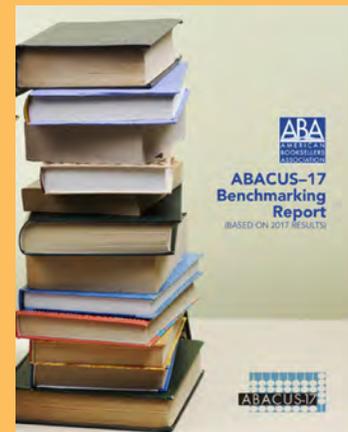
Figure 10: Winter Institute Total Minutes and Types of Events.
Source: Analysis by author.



SHARING LEADING PRACTICES AND DATA: WHY SURVEY DATA ARE CRUCIAL FOR FUTURE VIABILITY

A thriving independent retail sector has the ability to collect performance data from a robust and representative sample of store owners. Since independent bookstores see themselves as *independent* entities, it can be difficult to obtain data consistently year-over-year. Industry associations play an essential role in collecting these data and making the results available to their members. Ten years ago the ABA initiated the ABACUS study which includes a confidential survey of key operating data from the independent book retail industry. Gathering such information will be critical for the survival of the sector as online competitors become more adept at capturing and predicting emerging trends in regional and/or hyper-local buying behaviors.

As independent bookstores continue to grow in numbers, aggregate performance data is essential. By responding to surveys such as ABACUS, independent bookstores are better able to anticipate shifts in consumer buying behaviors and respond to threats from online competition.



An Illustrative Model for the Resurgence of the Independent Retail Sector

The findings offered in this study reveal a phased, cyclical process that contributed to the unexpected resurgence of the independent bookstore sector (see *Fig. 11*). The process is described in more detail below.

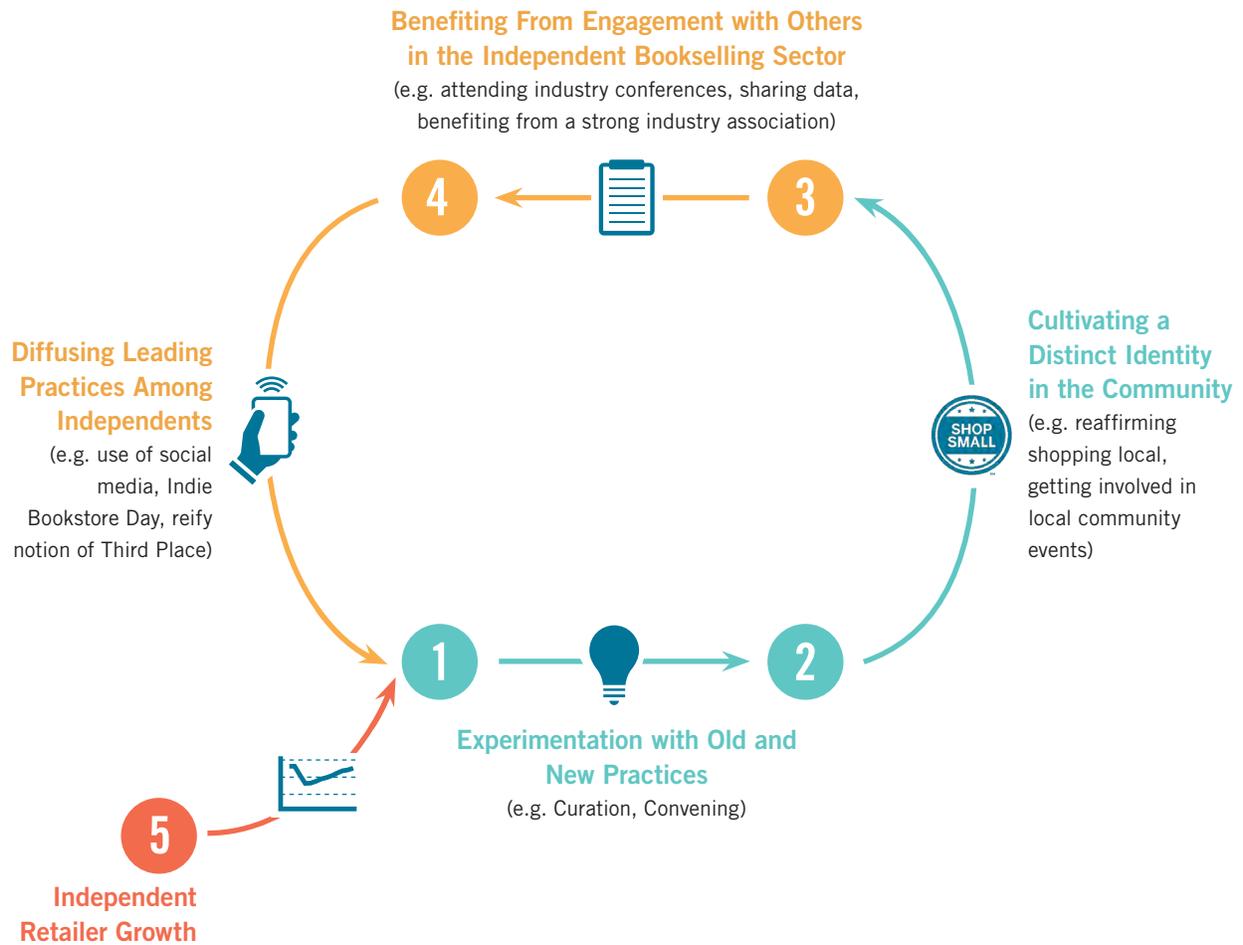


Figure 11: Leveraging independent booksellers from across the sector.
Source: Analysis by author.

Phase	Name	Description	Examples
1	<i>Experimentation with Old and New Practices</i>	<p>The process begins with a technological shock. In the case of independent bookstores, there were several, including the rise of Amazon.com and the launch of the e-reader.</p> <p>Shortly thereafter independent booksellers respond by amplifying existing practices associated with <i>curation</i> and <i>convening</i>. They also adopt new practices, like using social media to engage authors and customers.</p>	Curation, convening
2	<i>Cultivating a Distinct Identity in the Community</i>	Next, independent bookstores reinforce and strengthen their ties to the local community. The key to this shift is helping consumers understand the importance of localism and shopping local.	Community, localism movement, community-based partnerships
3	<i>Benefiting From Engagement with Others in the Independent Bookselling Sector</i>	Practices at the local level begin to spread across the sector, as more booksellers attend industry conferences and share best practices.	Attending industry conferences, sharing data, benefiting from a strong industry association
4	<i>Diffusing Leading Practices Among Independents</i>	As a result of Phase 3, best practices are diffused across the sector via ABA and other regional-based associations.	Use of social media, Indie Bookstore Day, reify notion of third place
5	<i>Independent Retailer Growth</i>	<p>Viable business models and templates emerge, attracting the next generation of booksellers to open additional independent bookstores.</p> <p>The cycle repeats itself as new store owners begin to experiment with new practices and ideas, repeating phases 1-4 over again.</p>	



Find it
HERE.
Buy it
HERE.
Keep us
HERE.
Thank you!



PART 4: CHALLENGES AND RECOMMENDATIONS

External Challenges

Independent bookstores face three primary external challenges that could limit the sector’s ability to sustain its recent growth: living wages, rising rents, and razor-thin profit margins. The table below provides an overview of each challenge and the ways in which some bookstore owners have attempted to respond.

"I am first a businessperson. But who would be in this particular business if we didn't also love books?"

—*Bookseller*

External Challenges

How Indie Bookstores Are Attempting to Respond

Sustaining living wages for employees

Labor investment has been a clear value differentiator core to sustaining indie bookstores. Investing in talented employees, with the deep expertise to provide customers with high-quality service, continues to be a challenge as living wages go up across the country. Paying a living wage is part of the local retailer’s identity and commitment to the community.

Bookstores have attempted to maintain or cut non-labor costs in order to address the rising costs of labor. Many independent bookstore owners reported that providing a living wage has helped them hire and maintain high-quality talent who can deliver the unique bookstore experience that many consumers are willing to pay for. Independent bookstores report having to pay top dollar for event managers and social media managers.

Overcoming rising rent costs

Independent bookstores face rising rents for the spaces they occupy, especially in high-traffic areas likely to attract book buyers.

Some booksellers interviewed for this study described how they initially opened stores in depressed areas and have since become victims of their own success. As their bookstores attract more customers and other retailers, landlords charging higher rents can inadvertently push out the very local businesses that spurred the area’s initial growth.

Some independent booksellers have been able to negotiate more favorable rents because landlords recognize the bookstores can serve as anchors for a shopping center (refer to the sidebar on “*Anchors of Authenticity*,” p. 15). Bookstore owners report having to educate the landlord on the value of the bookstore as an anchor that enhances an overall shopping experience in the area. In some situations, local bookstores have been able to educate commercial landlords and government officials about the positive externalities that come with being a community player, which may increase overall economic activity in a community. Such positive externalities do not translate into economic growth if rents push out booksellers. Finally, some bookstores have explored alternative organizational forms (e.g., co-operative ownership models), or alternative uses for their space (e.g., one bookstore owner reported she developed a literary-themed Airbnb room above her bookstore to host authors and/or rent to tourists).

Razor-thin margins

Profit margins on books are in the low single digits, often leaving indie bookstore owners with limited means to overcome rising expenses.

Successful independent bookstores have been able to diversify their portfolio of products through sidelines and curated events. Some independent bookstores have partnered with local schools, Chambers of Commerce, or authors to host events where, along with books, customers are able to purchase higher-margin sidelines.

Recommendations and Leading Practices

The theoretical and managerial lessons that can be derived from independent bookstores have implications for a wide array of traditional brick-and-mortar businesses facing technological shocks. Below are recommendations and leading practices for independent retailers:

- 1 COMMUNITY:** Communicate the value of community and encourage customers to participate in a broader movement to shop local.
- 2 CURATION:** Compete primarily on experience and quality, not on price and inventory.
- 3 CONVENING:** Establish the bookstore as a gathering place by offering events that consumers view as unique experiences. Events should cater to local tastes and the specific interests of the community.
- 4 DATA:** Contribute to (and utilize) industry data on emerging independent retail trends.
- 5 DIFFUSION:** Share leading practices with other independent retailers (e.g., through industry/small business associations, local Chambers of Commerce/institutes, etc.).

CONCLUSION

Indie booksellers proved to be resilient in the face of multiple technological and business model shifts in the bookselling industry. By tapping into a larger social movement that promoted the value of shopping local and a desire to cultivate community, successful independent booksellers have been able to differentiate themselves from online and big box competitors. Customers have come to recognize independent bookstores as a valuable form of brick-and-mortar retail in their communities. Independent bookstore owners have also benefited from the tireless commitment of their employees, many who could find higher paying jobs elsewhere, but continue to work in bookstores because they see the bookselling profession as a higher calling.

APPENDIX: DIAGNOSTIC

The following diagnostic tool was designed to help independent retailers evaluate their current business strategy in light of the findings outlined in this study (see the **Worksheet** and **Table A** below).

Worksheet

Instructions: Place an 'X' on the continua below to indicate how you view your store.

1=Strongly Disagree; 2=Disagree; 3=Unsure; 4=Agree; 5=Strongly Agree

1. We communicate and enable the core customer to participate in a broader movement to shop local.



2. We compete primarily on experience and quality, not on price and inventory.



3. We have established the store as a gathering place.



4. We contribute to and utilize data related to emerging trends in the independent retail sector.



5. We participate in conversations with other local retailers about effective best practices (e.g., through industry/small business associations, local Chambers of Commerce/institutes).



Table A: Opportunities for Transforming Local Independent Retail Strategy

Instructions: After completing the worksheet, review the table below. If you marked “1=Strongly Disagree” or “2=Disagree” with any of the statements in the diagnostic worksheet, consider why this might have been the case and whether these areas could be opportunities for additional focus. If you marked “4=Agree” or “5=Strongly Agree” for any of statements, consider whether you see these factors as potential strengths that can help your store differentiate itself from competitors.

Statement	Potential Opportunities
We communicate and enable the core customer to participate in a broader movement to shop local.	<p>Educate customers on the value of shopping local.</p> <p>Educate potential customers who might be less familiar with the ways in which independent stores operate, or the difference between independent and online retail categories.</p> <p>Actively dispel the popular myth among consumers that the brick-and-mortar category is collapsing. Showcase independent retail in a new light.</p>
We compete primarily on experience and quality, not on price and inventory.	<p>Promote the store as a place for community and an opportunity to engage in rich conversations about products.</p> <p>Create a customized customer experience that involves helping the customer pick out products.</p> <p>Leverage “shelf-talkers” and handselling to educate customers about the products.</p> <p>Create a store experience such that consumers associate value with the experience of being in the store where they are willing to spend their discretionary time.</p>
We have established the store as a gathering place.	<p>Host special events as a way to bring new customers into the store. Give specific demographic groups an opportunity to host events (e.g., LGBTQ groups, Harry Potter Young Adult Groups, Science Fiction, or Anime enthusiasts).</p> <p>Sponsor events associated with collections/collectible items (e.g., limited edition Harry Potter books, LPs, CDs).</p> <p>Actively use social media to target core customer segments including young adults and teens.</p>
We contribute to and utilize data related to emerging trends in the independent retail sector.	<p>Participate in relevant industry association surveys (e.g. for booksellers, the ABA ABACUS survey).</p> <p>Engage with industry and/or local associations and attend national and regional conferences.</p> <p>Share operational data to contribute to the sector growth.</p>
We participate in conversations with other local retailers about effective best practices (e.g., through industry/small business associations, local Chambers of Commerce/institutes).	<p>Participate in annual conferences.</p> <p>Participate in community and/or small business associations, local Chambers of Commerce/institutes.</p> <p>Learn about novel practices from other local retailers.</p> <p>Leverage strategic insights from data to experiment with new practices.</p>

ADDITIONAL READING

By the Author

Raffaelli, R., 2019. [Technology Reemergence: Creating New Value for Old Technologies in Swiss Mechanical Watchmaking, 1970-2008](#). *Administrative Science Quarterly*. Open access.

Raffaelli, R., Glynn, M.A. and Tushman, M., 2019. [Frame Flexibility: The Role of Cognitive and Emotional Framing in Innovation Adoption by Incumbent Firms](#). *Strategic Management Journal*.

Raffaelli, R. [Leading and Managing Change](#). Harvard Business School Background Note 415-040, December 2018.

Raffaelli, R., Sadun, R., and Qu, K. [Moleskine \(A\)](#). Harvard Business School Case 716-407, April 2016. (Revised March 2019.)

Video

“[How Independent Bookstores Have Thrived in Spite of Amazon.com](#).” Harvard Business School Working Knowledge.

Other

Burton, B., 2006. *The King's English: Adventures of an independent bookseller*. Gibbs Smith.

Childress, C., 2017. *Under the cover: The creation, production, and reception of a novel* (Vol. 73). Princeton University Press.

Miller, L.J., 2008. *Reluctant capitalists: Bookselling and the culture of consumption*. University of Chicago Press.

ENDNOTES

- 1 <https://www.publishersweekly.com/pw/print/20000724/37760-pw-feminist-feast-and-famine.html>
- 2 <https://www.theatlantic.com/business/archive/2017/04/retail-meltdown-of-2017/522384/>
- 3 <https://www.credit-suisse.com/about-us/en/reports-research/studies-publications.html>
- 4 IBISWorld Report 45121: Bookstores in the US. September 2019.
- 5 <https://www.publishersweekly.com/pw/by-topic/columns-and-blogs/soapbox/article/78048-why-are-book-margins-stuck-in-the-1990s.html>
- 6 Stone, Brad. *The everything store: Jeff Bezos and the age of Amazon*. Random House, 2013.
- 7 <https://www.wsj.com/articles/SB890239444687103000>
<https://www.nytimes.com/1996/11/19/business/booksellers-end-3-year-lawsuit.html>
- 8 <https://www.bookweb.org/news/99-aba-member-stores-open-2018-28-sold-new-owners-109565>
- 9 <https://www.fastcompany.com/1707599/how-googles-new-ebookstore-might-save-indie-booksellers>
- 10 <https://www.npd.com/wps/portal/npd/us/news/press-releases/2019/bestseller-success-led-us-print-books-industry-growth-in-2018-the-npd-group-says/>
- 11 <https://www.cnbc.com/2019/09/19/physical-books-still-outsell-e-books-and-heres-why.html>
- 12 <https://www.mountainsplains.org/the-new-localism/>
- 13 <https://www.vox.com/the-goods/2018/12/19/18146500/independent-bookstores-instagram-social-media-growth>
- 14 <https://insight.kellogg.northwestern.edu/article/what-predicts-consumer-choice-overload>
- 15 Oldenburg, R. (1999). *The great good place: Cafes, coffee shops, bookstores, bars, hair salons, and other hangouts at the heart of a community*. Marlowe & Company: New York, NY
- 16 <https://www.thirdplacebooks.com/about>
- 17 <https://www.bookweb.org/news/99-aba-member-stores-open-2018-28-sold-new-owners-109565>
- 18 <http://wherewebuy.libsyn.com/local-bookstores-show-how-retailers-can-serve-communities-where-we-buy-42>
- 19 <https://www.nytimes.com/2019/06/23/business/independent-bookstores.html>
- 20 <https://www.shelf-awareness.com/issue.html?issue=3415#m43115>
- 21 <https://www.publishersweekly.com/pw/by-topic/industry-news/trade-shows-events/article/79120-a-robust-winter-institute-14-wraps-up.html>

ABOUT THE AUTHOR

Ryan L. Raffaelli, Ph.D. is an Associate Professor in the Organizational Behavior Unit at Harvard Business School. He examines how innovations transform industries, organizational reinvention, and leading change. His research introduces the concept of “technology reemergence,” a process whereby mature organizations and industries faced with technological change reinvent themselves. Eight years ago, he set out to discover how independent bookstores managed to survive and even thrive in spite of Amazon.com. His research on the book industry has been covered by media such as *The New York Times*, *The Wall Street Journal*, *The Washington Post*, *Forbes*, *CBS News*, *LitHub*, *The Millions*, *Shelf Awareness*, and *National Public Radio*.

ACKNOWLEDGMENTS

The author thanks the ABA and passionate booksellers from across the United States for sharing their expertise and insights about the book industry. He would also like to thank Akshaya Varghese for his valuable contributions to this multi-year study. Report design by Monderer Design, Cambridge, MA. Funding for this research was provided solely by the Division of Research and Faculty Development at Harvard Business School.

FOR FURTHER INFORMATION

Visit Professor Raffaelli’s faculty webpage (www.hbs.edu/rraffaelli).

For updates on this project and related research, you can connect with Professor Raffaelli on Twitter at [@RyanLRaffaelli](https://twitter.com/RyanLRaffaelli) and/or by using the hashtag [#technology_reemergence](https://twitter.com/technology_reemergence).

How To Cite This Work:

Raffaelli, Ryan. “Reinventing Retail: The Novel Resurgence of Independent Bookstores.” Harvard Business School Working Paper, No. 20-068, January, 2020.