

Every Trick *in the* Book

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WHAT IT TAKES TO REINVENT THE BOOKSTORE
FOR THE AGE OF AMAZON

By April White



BOOKHAMPTON HAS BEEN A MAINSTAY OF THE LONG ISLAND, NEW York, community of East Hampton for more than 40 years. **Carolyn Brody (MBA 1983)** fondly remembers the cozy, cluttered bookshop from many rainy-day visits when her children were young. “It was beloved,” she says. But beloved didn’t pay the bills, and by 2015, after decades of pressure from big chains and the internet, the small, independent store was on the verge of closing. That’s when Brody, a New Yorker who spends her summers in the Hamptons, stepped in. “I didn’t want to live in a town without a bookstore,” she says. “It’s every bit a part of a community as a bank or a grocery store or a hardware store.”

As she surveyed her new business in early 2016, however, Brody knew the East Hampton icon couldn’t remain trapped in amber. To survive, BookHampton needed to adapt to a bookselling environment its original owners never envisioned. As other independent booksellers before her had discovered, Brody realized that the store could never compete with its bigger rivals on price or—with just 1,000 square feet of space—on selection. Pleas to the community to support the business as if it were a nonprofit enterprise, a tactic tried by a previous owner, was another untenable option. BookHampton needed to sell something that its competitors could not.

The name and the brick facade of the Main Street building would stay, Brody decided. Everything else, including the comforting old-book smell, would go. Behind the brown paper that covered the store’s windows for several months that year, Brody was building a new kind of brick-and-mortar bookstore for the age of Amazon.



WHEN BOOKHAMPTON OPENED ITS DOORS in 1971, it wasn’t considered an “independent” bookstore. It was just a bookstore; small, privately owned shops were the predominant model for bookselling throughout the United States in the early 1970s. That was the original model for Borders, which also opened in 1971 with a small stock of used books in a second-floor salesroom in Ann Arbor, Michigan, and it was, at that moment, the model for Barnes & Noble, a venerable but struggling small chain, which that year sold its single remaining location on Fifth Avenue in New York to a bookseller named Leonard Riggio.

But the retail landscape was already changing.

Waldenbooks, which got its start in a department store, had opened its first standalone location in a suburban Pittsburgh mall in 1962; by 1971, it had more than 60 stores. Its main rival, B. Dalton Bookseller, founded in 1966 in a suburban Minnesota shopping center, had expanded in just five years to 27 locations; by 1976, the chain would have 360 stores, with some as large as 9,000 square feet, each stocking as many as 25,000 titles.

In 1977, **Robert Haft (MBA/MCRP 1977)** launched Crown Books in the Washington, DC, area, with plans for rapid growth and a pitch sure to set the chain apart from the growing market: lower prices. Crown’s books were discounted 10 to 40 percent every day, an unheard of bargain in that era. In the chain’s advertisements, Haft himself, then president of the Dart Group which owned the company, sat amid a pile of hardcover books. “Books cost too much, so I opened Crown Books,” he said to the camera. “Now you’ll never have to pay full price again.”

Haft was right. Together, Waldenbooks, B. Dalton, and Crown redefined the bookstore for the 1970s and ’80s—moving it from the city streets to the suburban shopping center, standardizing the book-buying experience, and starting the familiar race to big, bigger, and biggest, and cheap, cheaper, and cheapest. By 1980, analysts were predicting the death of bookstores now known as “independent.” The American Booksellers Association, a trade organization for independents, began to host “survival strategy” sessions throughout the country.

By the late 1980s, however, it would be Waldenbooks and B. Dalton struggling to survive, while many independents maintained niche markets. The next decade would belong to the freestanding book superstores, which offered vast selection, including CDs and DVDs, and discounted prices: Borders, Barnes & Noble, and Crown Books, the last of which smartly forsook its original 3,000-square-



foot stores with 10,000 titles for 30,000-square-foot stores with 80,000 titles. Barnes & Noble took over B. Dalton, and Borders came to run Waldenbooks.

With the fall of the mall chain and the rise of the superstore, analysts announced the death of the independent bookstore for a second time. Hollywood even wrote a eulogy: *You’ve Got Mail*, a popular Tom Hanks–Meg Ryan romantic comedy. The two rivalrous main characters—him, the owner of a soulless big bookstore chain; her, the proprietor of a charming independent—eventually fall in love, the independent bookstore closes, and audiences discover that big chains can have heart, too. But in the real world, most independent bookstores found ways to stay in business.

Then came Amazon. The internet giant got its start as a bookseller, taking its first order in July 1995. Its online-only model meant that Amazon’s inventory was essentially limitless, and its rapid success made it possible for the company to negotiate advantageous prices with publishers and offer deep discounts to customers.

Analysts sounded the death knell for independent bookstores—and indeed, all physical bookstores—yet again. And this time it seemed as though they had finally gotten it right. In 1993, before Amazon launched, there were 5,200 independent bookstores in the United States, an all-time high according to the American Booksellers Association, but just six years after Amazon’s arrival, in 2001, that number had dropped by almost 50 percent.

“**T**HIS IS A STORY OF HOPE,” SAYS ASSISTANT Professor **Ryan Raffaelli** with some amazement. Today, Borders is gone. So are B. Dalton, Waldenbooks, and Crown Books. Barnes & Noble, headed by CEO **Demos Parneros (AMP 178, 2010)**, now has about 630 physical bookstores—down from more than 700 in 2011. But the number of independent bookstores, a breed declared

BookHampton owner Carolyn Brody offers a sparse selection of games and knick-knacks—which offer higher profit margins than books do. “I want this to be a bookstore,” she says.

endangered with each new disruption of the bookselling industry, is growing. The American Booksellers Association counted 2,321 physical independent bookstores in the United States in 2017—40 percent more than there were in 2009.

Raffaelli, who has also researched what he calls “technology reemergence” in the mechanical watch, fountain pen, and vinyl record sectors, has been studying the independent bookstore for the past five years. After more than 200 interviews with bookstore owners, authors and publishers, he has developed a hypothesis for the unexpected renaissance of independent bookstores: they are making the comeback that Borders and B. Dalton could not because they are selling you more than books. In the early 2000s, when these bookstores were competing with Amazon on price, they were losing; they will always lose in the face of Amazon’s buying power. But since the late 2000s, many booksellers have come to recognize that “the independent bookstore represents something quite different [from Amazon], something that’s anchored in the customer’s desire to connect, not just with a product but with a community,” Raffaelli says.

That sense of “community”; a dogged attention to the “curation” of unique books for each customer; and a commitment to “convening” through book-related and community-focused events are the “three Cs” of Raffaelli’s research. All are traits that independent booksellers—working together, despite the “independent” moniker, and sharing best practices through networks like the American Booksellers Association—have rediscovered from the sector’s 18th-century roots. By embracing the three Cs as modern-day differentiators, Raffaelli found, independent bookstores have transformed buying a novel in your bookstore from a simple exchange of money into something that can’t be replicated with one-click ordering. “That’s something, at least right now,” says Raffaelli, “that the Amazon algorithm has been unable to crack.”



WHEN THE BROWN PAPER CAME OFF THE windows of BookHampton at the start of the summer season in 2016, regular customers found a bright and open space where there had once been floor-to-ceiling shelves stuffed with books. Now the pale wood shelves share wall space with expanded windows, and the center of the long, high-ceilinged store is filled with low, rolling display tables. The store’s design captures the things that make East Hampton a popular summer destination: sunlight, sea air, and the charms of a small-town Main Street.

All told, there are just 5,000 carefully selected titles in BookHampton, all sold at full price. Brody, who spent most of her career in real estate, partnered



with R.J. Julia, a successful independent bookstore in Connecticut, which does a majority of the book buying for the store—with an emphasis on art, design, cookbooks, children’s books, and beach reads—but the idiosyncratic staff picks, each with a sign explaining why the staffer recommended the book, are also popular with customers, who have come to trust their advice. There are a few “sidelines,” too—those cards, games, and knickknacks that make some bookstores look more like general stores. The profit margin is higher on those products than on the books, but “I

want this to be a bookstore,” Brody says.

The rolling tables are a necessity in a small space with an active events calendar. The store hosted 75 events with authors last year, most during the busy summer season. Even with big names such as novelist Colson Whitehead and foreign policy expert Richard Haass, the events are rarely moneymakers, Brody says—the small space can only hold 100 people—but they are an effective marketing tool, both to customers and to publishers, which see bookstores like BookHampton as a way to introduce new authors, who might otherwise

have trouble climbing the Amazon rankings.

All the changes have had a positive effect on the bottom line, but bookselling remains a difficult business, says Brody, who emphasizes that BookHampton faces particular challenges as a year-round business in a summer community. “Creating community and hosting events—it’s tough to monetize those things. Most bookstores are at breakeven.”

From the West Coast, **Kathryn Grantham (MBA 2005)** echoes those challenges—and opportunities. Grantham’s Black Bird Bookstore, which opened last

Kathryn Grantham says customers don’t come into her Black Bird Bookstore looking to make a discovery. “If they know what they want, [they are] going to buy it on Amazon.”

June, has a very different feel from BookHampton, befitting its location in San Francisco's artsy and foggy Outer Sunset neighborhood, but it shares its commitment to community and curation and to pioneering a new model for the modern bookstore.

The store has the look of a gallery, just 500 or 600 books, each displayed face out on the four-inch-thick shelves that run along both sides of the 1,000-square-foot space; many have a handwritten recommendation alongside. The books are arranged in unexpected, and frequently shifting categories. "Our Culture, Our Country" includes books on gender and books on race, among other topics of current conversation; "Nature and Our Planet" spans everything from climate change to gardening. The adult fiction section features authors from a diverse array of backgrounds,

and half of the store is dedicated to children's books, something that many parents find difficult to evaluate online. Customers don't come in looking for a specific title. "If they know what they want, [they are] going to buy it on Amazon," Grantham says. They come in to discover something new.

Grantham has been in the bookstore business before. In 1999, one of the lowest moments for brick-and-mortar stores, she opened Bluestockings, a nonprofit feminist bookstore in Manhattan that sold hard-to-find books from small publishers and self-published zines. Without a marketing budget to place an ad in the *Village Voice*, Grantham decided to host an event at the store every single night to earn free press. When she left Bluestockings—which still exists—Grantham did not expect to return to the independent bookstore sector. She didn't expect there to be a thriving sector to return to.

But though technology has challenged the brick-and-mortar bookstore, says Grantham, it has also helped it. The Black Bird Bookstore model works because Grantham has to keep very little inventory on hand. She can order one or two books from her distributor online and have them in hand the next day. Big publishers have been slower to respond to the upsurge of independent bookstores, with longer delivery times, minimum order requirements, and often set higher prices for smaller stores than they offer for larger purchasers.

The next step in the independent bookstore renaissance may be a form of collective bargaining with publishers, suggests Brody, but for now, many independent booksellers are grateful for the continued existence of Barnes & Noble, which remains the largest counterweight to Amazon in price negotiations, with

its physical bookstores and an e-commerce site. When Demos Parneros, then COO, took the leadership reins from founder Leonard Riggio in the spring of 2017, he became the fourth CEO in four years to attempt to reinvigorate the company. For Parneros, who spent almost 30 years at Staples before coming to the bookseller, the future of Barnes & Noble lies in brick and mortar, an optimism that he has taken from the recent growth of independent bookstores.

"That's another sign that people do want places to go to buy books, to learn, to explore," Parneros told *Fortune* magazine shortly after he took the helm. Starting this May, Parneros plans to grow the number of physical Barnes & Noble stores. The company has also launched five new-format stores to test different retail strategies, among them, a smaller selection of books, paired with more extensive food, drink, and entertainment offerings—a suburban facsimile of an independent bookstore in a small-town business district.

Amazon, too, is looking to the retailing innovations developed by independent bookstores. In November 2015, the online company opened its first brick-and-mortar bookstore, Amazon Books, in Seattle. At just 5,500 square feet, it is a throwback to the 1970s, a time before the superstore. Inside, all the books face outward, as in Black Bird Bookstore, and many have signs offering recommendations not from staffers, as at BookHampton, but from consumer comments left on the website. Using a phone, a customer scans a bar code to see the current price of each book; Amazon Prime subscribers get the same discounted prices they would online. (Stores also stock other Amazon products, such as the Echo voice-activated speaker.) The books are curated—in a physical store, Amazon can't have all of the millions of books that make up its online inventory on hand—but the curation is not specific to the location. Nationwide ordering trends and reviews inform what is available on the shelves in Los Angeles, Chicago, New York, and elsewhere. In late 2017, Amazon had 13 physical bookstores around the country, with plans for at least three more in 2018. (The company also expanded its commitment to a physical retail presence with the purchase of Whole Foods Markets in 2017.)

For 20 years, physical bookstores have fretted about losing customers to Amazon, but the company's expansion into brick-and-mortar stores doesn't worry Grantham, who sees ways in which Amazon's dynamic pricing model could come to benefit the entire book-selling sector—one of the few retail sectors where the producers recommended price is stamped right on the product. "I'm not competing with Amazon," says Grantham, glancing around her San Francisco store with its "Resistance Reads" section and weekly Saturday story time. "I am a bookstore, but really what I'm selling is a unique experience." ❧

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