

Bookstores feeling pain from digital technologies

February 8 2011, by Rob Lever



A Borders Bookstore is pictured in San Francisco, California. Pundits might put a different spin on how and when it will happen but all see a struggle for survival by traditional booksellers thanks to a growing shift to electronic books and Internet sales.

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And eyes are on the current woes of large US book retailers for how best to face the challenge.

Borders Group, which operates some 500 US stores, said in late January it would delay payments to vendors, landlords and others as it seeks to restructure its debt, but many analysts see [bankruptcy](#) or a sale looming

for the second-largest US [bookseller](#).

Last year, the money-losing number one US [bookstore](#) group, Barnes & Noble, indicated it was in discussions on a sale or other strategic options.

"Disruptive change is coming to the book businesses of the world and they're looking to the US experience to understand the nature of that change and what to do to prepare for it," said Mike Shatzkin, head of the consultancy Idea Logical Company and organizer of the Digital Book World conference held recently in New York.

The Internet not only offers lower prices for many products but now can deliver books digitally to devices like Amazon's Kindle, the Apple iPad and others.

E-book sales, meanwhile, have more than doubled in each of the last three years, according to Shatzkin.

In the coming years, he sees the market for traditional booksellers tumbling from 72 percent of the sales to about 25 percent of the sales, a reduction of two-thirds.

This would mean a loss of 90 percent of bookstore shelf space over the next 10 years, and a drop from over 1,200 large bookstores in the United States to "maybe 150 decent-sized stores", he told AFP in an email exchange.

Amazon.com said last month it is now selling more Kindle books than paperback books -- 115 ebooks for every 100 paperbacks, in the US market.

"Bookstores lose customers two ways: to e-book sales and to print (books) sold online," Shatzkin said. "Print online is now about 25

percent of print sales and e-book sales are about 10 percent of print sales."



The Amazon homepage is seen here advertising its new Kindle e-reader. Pundits might put a different spin on how and when it will happen but all see a struggle for survival by traditional booksellers thanks to a growing shift to electronic books and Internet sales.

A Pew Research Center report showed five percent of Americans owned an e-book reader last year, but that may underestimate the trend because other devices including smartphones can be used for the same purpose.

According to Forrester Research, Americans spent an estimated \$1 billion on e-book downloads in 2010 and the market is surging.

Forrester's James McQuivey said an estimated seven percent of Americans read e-books and that "this small, energetic group will grow so rapidly that it will easily spend nearly \$3 billion on e-books in 2015."

Analysts said the lower cost and convenience of getting electronic books instantly has also put the squeeze on the big book chains, after punishing the small, independent booksellers in recent years.

"The traditional bookstore is doomed by e-readers and online sales of hard copy books," Nobel laureate economist Gary Becker said in a blog post, describing a type of shift economists call "creative destruction", like replacing horse-drawn wagons with automobiles.

Becker said he still sees bookstores, but mainly to serve particular market niches -- like university bookstores that sell school merchandise, and other specialized stores that serve a small group.

Billy Hulkower, senior technology analyst at the research firm Mintel, said bookstores face a "trilogy of threats," -- online competition, e-books, and public libraries offering free books and digital content.

"Retailers need to focus on creating compelling reasons for patrons to visit bookstores, like concierge or recommendation services," he said.



A Barnes and Noble Bookstore is pictured in San Francisco, California. Pundits might put a different spin on how and when it will happen but all see a struggle for survival by traditional booksellers thanks to a growing shift to electronic books and Internet sales.

Laurie Brock, president of the consultancy Brock Associates, said a

recent survey by her firm shows consumers increasingly like their reading devices, especially those that have multiples uses.

In many cases, e-books are sold to "avid readers" who want more to read, Brock said.

For now, e-books are less expensive than printed books -- in many cases half the cost of a new hardcover, but the lower cost shakes up the economics of the entire industry.

"If people are only going to be reading ebooks, are publishers going to be able to keep them at the lower price point?" Brock asked. "Probably not, but Amazon has set the price low, and that's where the big debate is going now."

Shatkzin said the economics of the industry are being turned upside down by the digital revolution.

"Yes, it will be harder to make money," he said. "The prices of [books](#) will continue to fall. It will be easier to get published -- anybody will be able to do it -- but it will be damn tough to make much money at it."

And he said book merchants around the world will begin to feel the same impact soon.

"The rest of the world isn't so noticeable yet, but we all expect they will begin to very soon," Shatkzin said.

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