NUST INSTITUTE OF MANAGEMENT SCIENCES

Thesis Report

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Table of Contents

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Executive Summary

The introduction of first Netscape web browser in 1994 had revolutionized the traditional way of doing business. Many companies jumped into the new horizon to exploit and gain economic value. The new domain attracted many entrepreneurs to revolutionize different forms of business. The book industry was attracted by Jeff Bezo, the founder of Amazon.com. Since 1995 the online book industry provided real economic value not only to business entities but to consumers at large by providing products at competitive prices with convenience.

The book selling industry in United States had grown to revenues of $26.1 billion as compared with $14.7 billion in 1987. After the success of Amazon.com many major players entered the new stream of doing business like Barns and Noble, and Borders. Online Book selling spread like an epidemic. In Pakistan the book industry has a potential of more than Rs. 4 billion annually. In 2003 Pakistani Book sellers started selling books online. Some of the major players are Liberty Books, Mr. Books, Oxford University Press, Saeed Book Bank and Ferozsons. Despite the huge financial benefits attached with online selling of books lack of vision, technical infrastructure and financial resources impedes the business entities to exploit the new venture.

With the clear vision, dedication and direction the online book sellers can increase not only the customer base but can also transfer economic value to customers, employees and community at large. The cost of doing business could be reduced drastically by lowering the physical inventory and increasing the number of titles. A good marketing strategy inline with internets strategy can accrue maximum benefits for any business entity.
The researcher has particularly analyzed the chances of some Pakistani brick and mortar book stores to come online and do online selling with proper payment mechanism and increase customers satisfaction. Hopefully this study will server as blueprint for future research on this topic.

Introduction

1.1 Book Industry Trends in Pakistan

Despite an increased cost of 10 to 15% in the book industry, publication activity increased in the year 2004. The price rise is justified by claiming an improvement in the printing and paper quality. According to the majority of book dealers, serious reading matter is more popular now than fiction and poetry. Popular categories include religion, politics, history and textbooks. Prices of religious books have not increased much due to the demand by a majority of people with low incomes.

In the realm of political books, memoirs of retired civil servants, statesmen, and retired army officers are popular. In the social sciences sector, more and more NGOs and forums are being founded and these are publishing reports and papers regularly on various topics. These are also being circulated and provided to interested readers and organizations. The year 2004 has seen a tremendous upsurge of Pakistani English fiction, memoirs and English translations, but little Pakistani English poetry. It is however worth mentioning that English books by Pakistani writers are not easily available in countries other than Pakistan.

As for books in the national language (Urdu), they were not great in number. Urdu magazines and digests, however, were printed in large numbers. Book in regional languages like ?ePunjabi', ?eSindhi', and ?ePushto', have also shown an increase in titles. There is also a dearth of good reading material for children.

The reprinting of old titles is a common practice as it is more profitable than printing new titles.

It was also noted that books in the form of CDs or audiocassettes are becoming popular because they are cheap compared to printed books.

(February 2005, Ahmad Faraz, APPREB correspondent

1.2 Book Industry Trends in USA

1.2.1 Who is publishing how many Books?

78% of the titles published come from the small/self-publishers.
http://www.pma-online.org/benefits/industry_reports.cfm
2002: The five large New York publishers accounted for 45% of the market (made 45% of the sales.) --*Publishers Weekly, June 16, 2003. http://www.PublishersWeekly.com*
1999: the top 20 publishers accounted for 93% of sales.
--*Andre Schiffrin, The Business of Books in the Washington Post. October 18, 2000.*
2000: 80% of the book sales are controlled by five conglomerates: Bertlesman (Random House), Rupert Murdoch's News Corp, Time Warner, Disney and Viacom/CBS.
--*Andre Schiffrin, The Business of Books in the Washington Post. October 18, 2000.*
2002: Five large New York publishers had US sales of $4.102 billion and worldwide sales of $5.68 billion.
Random House: $2.1 billion worldwide
Penguin Group: $1.3 billion
HarperCollins: $1.1 billion
Simon & Schuster: $690 million (est)
AOL/Time Warner: $415 million
--*Publishers Weekly, June 16, 2003 http://www.PublishersWeekly.com*

1.2.2 Pricing

2002: The number of book priced between $30 and $40 increased 15% to more than 800 titles.
" Adult trade hardcover: increased 20 cents to an average of $27.52 average retail price.
" Adult trade soft cover: increased 2 cents to an average of $15.77 average retail price.
" Adult trade mass-market paper: increased 32 cents to an average of $7.30 average retail

price.

" Juvenile hard covers rose 12% to 15.93

" University press hardcover titles decrease 11 cents to 51.09

" University press soft cover titles rose 11 cents to $18.30

--*R.R. Bowker in Publishers weekly, June 2, 2003.*

http://www.PublishersWeekly.com

1.2.3 Book Purchases by Store Type

24.6% Large chain stores

17.7% Book Clubs

15.2% Smaller chains and independent stores.

5.4% Internet such as Amazon.com

--*Book Industry Study Group.*

http://www.BISG.org

2002: $450 million was spent on general-interest books at big-box stores such as Wal-Mart. That figure is up 7.4% from 2000. Costco and other price clubs are taking market share from the bookstores.

--*Ipsos Book Trends, reported in The Wall Street Journal, June 18, 2003*

Chain stores

2001 gross sales:

Barnes & Noble: $3.8 billion

Borders Group: $3.5 billion

Books-A-Million: $443 million

2002 gross sales:

Barnes & Noble: $3.7 billion

Borders Group: $3.4 billion

Books-A-Million: $443 million

--*Publishers weekly, April 7, 2003.*

http://www.PublishersWeekly.com

1.2.4 BOOK RETAILING IN UINTED STATES

By 1996, the bookselling industry in the United States had grown to revenues of $26.1 billion as compared with $14.7 billion in 1987' Included in this amount were institutional sales of approximately $2.2 billion through book clubs, mail order Catalogs, and subscriptions; and revenues of $ 5.8 billion From elementary, high school, and college textbook sales. In geographic terms, the top ten book markets in the United Slates were Los Angeles, New York. Chicago, Boston, Washington D.C., Philadelphia, San Francisco, Seattle, San Jose, and San Diego Industry experts believed that there were several factors driving the growth of book sales. First a large percentage of books were increasingly sold at discounted prices through stand-alone superstores—such as Barnes & Noble, Borders, and Bookstar—which had become community centers within neighborhoods, offering consumers a menu of media selections. The "category killers" of the book world hold more than just books; they also stocked magazines, audio-books, music CDs, and multimedia software and games, complemented by comfortable reading areas, in-store cafes, and periodic literary talks and author book signings. The average size of a superstore was approximately 30,000 square feet more than triple the size of an average mall bookstore. Each had on average 128,000 book titles and 57,000 CDs and cassettes.' [6]

The concept for the book superstore emerged in the 1970s, when several major-city independent bookstores, such as the Tattered Cover in Denver, established them-selves as important gathering places in their communities. The largest book retailer in the United States, Barnes & Noble, adapted this retail format with the opening of superstores in downtown New York City and Boston. Barnes & Noble replicated the superstore concept in suburban markets with a test of four such stores in 1987 [7]. These proved a success: by end of fiscal year 1996, Barnes & Noble operated 431 superstores (including those under the Bookstar and Bookstop names) in urban and suburban markets across the country. The second largest book retailer, Borders, showed a similar increase in superstores, growing to 159 superstores at the end of fiscal year 1996 from 41 superstores at the end of fiscal year 1993. Superstores accounted for 50% to 76% of each company's annual sales. As both Barnes & Noble and Borders sought to increase the numbers of" superstores nationwide, they simultaneously scaled back the number of mall book-stores under ownership. Barnes & Noble owned the Doubleday, Scribner's, and B. Dalton chains, while Borders owned Walden books. Because of increased competition from rival superstores and softening demand from reduced mall traffic, each bookseller sought to consolidate their mall outlets in 1995. The increase in the number of superstores also had an impact on several independent bookstores nationwide. For example, the American Booksellers Association estimated that the annual sales growth for independent bookstores had declined by 52% between 1994 and 1995, from 8.4% to 5.2%; in 1996 alone, 50 to 60 independent bookstores had closed their doors [8].

With more resources for promotion, staffing, and information systems to acquire and retain customers, the superstores could afford to engage in what the industry had begun to call "entertainment retailing" and customized inventories at a much deeper level than any neighborhood bookstore could do. Entertainment retailing was used to make each superstore a social gathering place by hosting book signings, artistic performances, and lectures. "The motivation behind entertainment retailing in bookstores," observed one industry expert, "was, very simply, to increase the amount of time a customer spent in a bookstore. Research showed that the more time an individual spent in a store, the more money he or she spent-[19]" The two dominant book retailers also took advantage of their scale to "customize" inventory at the store level. Customization was achieved through sophisticated inventory management systems, whereby each store could tailor single-store.' Inventories based on local sales patterns. [10]"

Another factor driving growth in retail book Sales was strong demand in the Two largest categories of consumer books—trade books and mass market paperbacks—and the increased sales of textbooks. Trade books (adult and juvenile) and mass market paperbacks, respectively, accounted for approximately one-half and one-quarter of all consumer book sales nationwide between 1987 and 1996, sales of trade books more than doubled, from $4.5 billion in 1987 to $9.5 billion in 1996, During the same period, retail sales of mass market paperbacks increased from $1.4 billion to S2,3 billion, reflecting the continued popularity of paperbacks—a trend that began gathering momentum in the 1960s. As for non-consumer books, halt of all adults between the ages of 35 and 54 had enrolled in some kind of adult education course in 1995, contributing to the increase in textbook sales, which rose by an estimated 61% between 1987 and 1996, from $3.6 billion to $5.8 billion, respectively [5].

Book buyers were traditionally an upscale audience. In 1995, approximately one-quarter of books sold were purchased by households with annual incomes of $75,000 or greater (over twice the national average of $31.428). Households earning between $30,000 and $73,000 purchased 42% of all books. A 1996 survey showed that 28% of all book buyers—almost twice the national average of 17°/o—were likely to use online technology some of the time. For those under the age of 50, the likelihood of using on-line technology was almost double—approximately 50 percent of the book buying population in that age band.

1.2.6 Smaller Publishers and Self-Publishers

A. From a survey and Special Report. Early 1988. ©1998 Brenner Information Group.
http://www.BrennerBooks.com

1. 54% of small independent publishers are male, 42% are female (3% won't say).

2. California has 6X the number of small publishers than any other state. This finding is consistent with surveys of other creative professions, including desktop publishers, web publishers and multimedia designers.

3. The most popular business structure is the sole proprietorship-52% of male publishers and 56% of female publishers selected this legal formation.

4. Over 60% operate out of home offices (65% of males, 76% of females)

5. They've published an average of 7 titles each.

6. In 1997, they earned an average of $420,000.

7. Half of the high income small publishers earned over $1 million in 1997 working out of home offices.

8. The typical independent publisher (indie) works 50 hours a week. [Many work "half days": 8 am to 8 pm. :]

9. Over 68% do not provide paid vacations.

10. Of the 30% that provide paid holidays, most give six days a year holiday benefit.

11. Over 80% have no pension or retirement program.

12. They produce 4X as many nonfiction titles as fiction titles. Juvenile and poetry are the most popular fiction genres. Self-help, how-to and business lead in the nonfiction categories.

13. Over 60% use Microsoft Word-23% use Word Perfect.

14. Most (47%) use Adobe PageMaker-24% use QuarkXpress.

15. Quickbooks is their most popular accounting software program.

16. Their most popular publishing publications are the PMA Newsletter, Publishers Weekly and the SPAN newsletter.

17. They pay an average of $276.25 for illustration on each book.

18. On average, they pay $465.17 for a simple cover design to as much as $3,533.26 for a complex cover design. Typical cover costs range $450 to $3,000.

19. Book design costs between $10 and $150 an hour.

20. They pay between $5 and $18 per page for interior page layout.

21. The average revenue per employee is $97,713.

22. On average it takes 475 hours to write a fiction title and 725 hours to write a nonfiction title.

22. It takes an average of 531 hours to produce a book-422 hours for fiction, 550 hours for nonfiction.

24. An average of 10 to 15 hours are spent designing a book cover.

25. On average, 61 hours are spent in the editing process.

26. On average, 29 hours are spent producing a news release for a new book.

27. Self publishers spend 52.4% of their book development budget writing a book (23.3% for fiction, 55.5% for nonfiction).

28. Graphic design consumes 13.5% of the budget for fiction titles and 3.7% of the budget for nonfiction titles.

29. Other than writing costs, small publishers spend most of their fiction title development budget in graphic design and illustration (13.5% and 20% respectively).

30. Other than writing costs, small publishers spend most of their nonfiction title development budget on illustration and page layout (7.5% and 8% respectively).

31. Advertising consumes most of the small publisher's marketing costs (36.5% for fiction titles, 29.8% for nonfiction titles).

B. From a survey conducted by Tom Woll, Cross River Publishing Consultants in the summer of 2003

2002: " 73,000 smaller and newer publishers grossed $29.4 billion.

" Sales increased 21% annually from 1997-2002.

Based on those publishers with 1-10 titles in print.

" Including publishers with 11-99 active titles, the revenue jumps to $34.3 billion.

" Smaller publisher are not represented in traditional industry figures.

" 70% of the publishers reported sale less than $100,000.

" 43% had been in business more than five years; 20% for more than 10 years.

" Most had print runs of 2-5,000 copies.

" The greater the number of titles, the greater the reliance on wholesalers and distributors for reaching bookstores.

--*Publishers Marketing Association, http://www.PMA-online.org*

Also see http://parapub.com/getpage.cfm?file=resource/business.html

1.3 Mr. Books

Book Sellers to the Nation - Leading Book Seller of Pakistan

Mr. Book's full service Book Showroom provides a complete general selection with an academic emphasis, featuring powerful sections in almost all subjects like Philosophy, Fiction, Cultural/Current History, Cognitive Science, Politics, History, Commerce, Medical, Engineering, Computer etc. Mr. Books also feature the capability to special order any books which are not available in its store. Its Web site is its latest and continues effort to make out selections and services available to every one, no matter where in the world you might be. Its site is a best source for all kinds of foreign and Pakistani Books published in Pakistan and aboard at ISLAMABAD (PAKISTAN)

It is an organization established more than two decades ago ; committed for the enhancement of knowledge, the spread of learning and scholarship and improvement in the intellectual content of life in Pakistan. This is because Mr. Books do not think of itself as suppliers only, and educational institutions as customers (Indeed Mr. Books is a University in itself) rather, Mr. Books are partners working towards a common goal for the spread of learning in the best possible way. With the grace of GOD, Mr. Books have got one of the largest inventories of books/Journals in Pakistan, to which hundreds of new books are added every day

Literature Review

2.1 Introduction to Customer Relationship Management

2.1.1 Introduction to customer relationship Management

Customers are the essentials of every business and if the business does not satisfy the customers then the

“Business runs out of its customers as soon as there are competitors on the market. Customer satisfaction is highly dependant on the product delivered, but also on how well the supplier maintains his relationship with the customer”

The efforts invested in customer satisfaction should ideally return the maximum of the investment. Efforts should be made both to strengthen and broaden the relationship. Some customers are however more important than others in terms of potential return on investment. This suggests that not every customer should have the same treatment but there should be awareness of the strategies of how different customers should be handled to make the most of the available resources for customer relationship management towards the desired goals. These issues have clearly much in common with the well-known engineering software that is how to achieve predictability in time, cost and quality. In the course of improvement activities, the organizational consciousness and knowledge is increased, the participatory culture will become a way of life and the employees involved in development and management know what is expected from them in terms of task performance and responsibility..

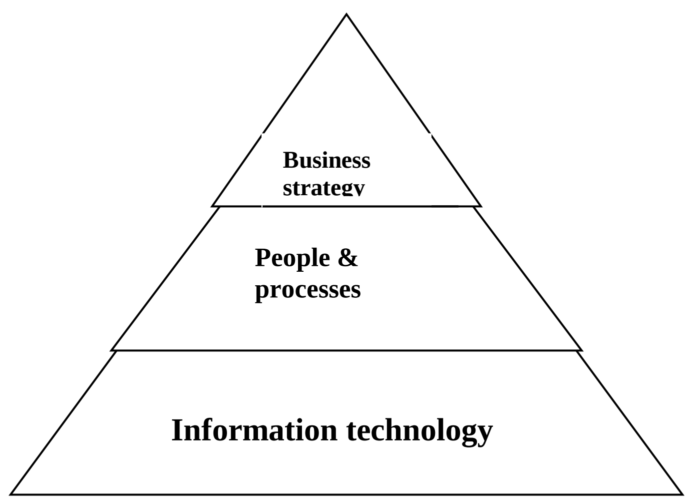

Fig 2.1 Steps towards the High maturity models for CRM

Similar approach should be favored in CRM with only small steps at a time, evolutionary rather than revolutionary, on the way towards a goal of high maturity models for CRM

2.1.2 Customer relationship Management

CRM is the overall process of Marketing, Sales, and Service & Support within any organization. Particularly considering the automobile sector and the dealership network's point of view it can be seen that for better customer relationship basic three areas of operations are focused and they build the customer retention and acquisition basis, they are stated as

Fig. 2.2 CRM Process

- ❖ Marketing Automation
- ❖ Sales Force Automation
- ❖ Customer Service & Support

And the above mentioned points can be supported by

- Targeting the Best Customers
- Managing Marketing Campaigns
- Generating Quality Leads

By sales force automation it is meant that give sales reps instant access to the latest prospects in the market and ensuring that no leads are dropped. As ones sales force is the direct representatives of the company who leave a direct impact on the customers. These basic activities have to be directed towards more and more service to the customers.

The basic thought behind CRM is quite simple. The most profitable customer is one who is loyal and buys in large quantities and needs more or little time in marketing efforts. If we are provided with sufficient number of customers such that we don't have to make efforts for sales and marketing the situation can be much more ideal. The process of transforming the customers to build long-term relationships is known as CRM. There are several definitions of CRM. The following definition gives us a dimension about customer relationship management, which is that

"CRM is an enterprise business strategy that enables companies to select and manage customers to maximize their long-term value to the organization. This requires a customer-centric business philosophy to support effective marketing, sales and processes across direct and indirect customer interaction channels."

Customer relationship is about having an indirect conversation with the customer through analyzing their behavior over time. Relationship treats marketing as a process over time rather than single unconnected events.

The relationship process usually defined as a series of stages, and there are many different names given to these stages, depending on the marketing perspective and the type of business. For example, working from the relationship beginning to the end:

Interaction > Communication > Valuation > Termination

Awareness > Comparison > Transaction > Reinforcement > Advocacy

Suspect > Prospect > Customer > Partner > Advocate > Former Customer

Fig 2.3 Customer relationship process

Using the relationship approach, we customize programs for individual consumer groups and the stage of process they are going through as opposed to some forms of database marketing where everybody would get virtually the same promotions, with perhaps a change in offer. The stage in the customer life cycle determines the marketing approach used with the customer. If a customer visits site every day and then just stops. Something has happened. They are unhappy with the content, or they have found an alternative source. Or perhaps they are just plain not interested in the subject anymore. One should react to this and then look for feedback from the customer. If we improve the content notifies and if the customer starts visiting again, the feedback has been given. The cycle is complete until the next time the data indicates a change in behavior, and one needs to react to the change with communication.

So if the same customer then makes a first purchase. This is an enormously important piece of data, because it indicates a very significant change in behavior. This is a new relationship now, a deeper one. One should react and look for feedback.

2.2 CRM in an Industrial perspective

CRM is an information industry term for methodologies, software, and usually Internet capabilities that help an enterprise manage customer relationships in an organized way. But the case[1] in respect to which we are analyzing the CRM process encompasses the industrial perspective as well as the general business point of view.

For example, an enterprise might build a database about its customers that described relationships in sufficient details so that management, sales people, people providing service, and perhaps the customer directly could access information, match customer needs with product plans and offerings, remind customers of service requirements, know what other products a customer had purchased, and so forth.

According to one industry view, CRM consists of:

- Helping an enterprise to enable its marketing departments to identify and target their best customers, manage marketing campaigns with clear goals and objectives, and generate quality leads for the sales team.
- Assisting the organization to improve telesales, account, and sales management by optimizing information shared by multiple employees, and

[1] As we are talking about the automobile industry.

streamlining existing processes[2] Allowing the formation of individualized relationships with customers, with the aim of improving customer satisfaction and maximizing profits; identifying the most profitable customers and providing them the highest level of service. Providing employees with the information and processes necessary to know their customers, understand their needs, and effectively build relationships between the company, its customer base, and distribution partners.[3]

From ‘push’ to ‘pull’ **– changing the paradigm for CRM-Taking Call Centers as a case study for understanding the strategy**

Mass production thinking leads to ‘push’ design and management. Managers have to ‘make budgets’, workers have to ‘work to procedures’, the consequences for customers are evidenced in the bad fit between what matters to customers and the way the call center responds.

In traditional mass production organizations, the design of relationship with customers can be characterized as ‘make and sell’. Ford was famous for the slogan ‘you can have any color you like, as long as its black’. Today, we see many organizations’ marketing plans being driven by production capabilities (‘we make it, you sell it’).By contrast, Toyota’s Lexus line represents a model of ‘make to order’, production being ‘pulled’ by demand. In Japan people say the only way to lose your Toyota salesman is to leave the country. It is a long-term relationship based on one-to-one behavior and not limited to the showroom. Incredibly, Toyota has brought marketing into an entirely different relationship with production management. The basic condition of ‘pull’ thinking is managing flow; marketing creates flow. By contrast, in mass production

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[2] (for example, taking orders using mobile devices)

[3] (Hakansson, Haken, ed.1982 International Marketing and Purchasing of Industrial Goods. New York: John Wiley & Sons)

organizations find marketing and service managed as different functions with differing objectives and measures.

Customer – driven design – understanding demand

The purpose of any commercial organization is to get and keep customers. The customer relationship with the organization can only be made up from the transactions they have with it. Thus it is important for managers of call centers to understand the nature of customer demands – why customers call in from their point of view, and how the organizations[4] response. Think about it this way, if an organization understands why a customer calls in ('demand') from the customer's point of view, it should also understand what matters to the customer (value). If the organization then deals with that work ('flow') in the most efficient way, by just doing the value work, service improves, the relationship is built and costs fall.

Many traditional, 'mass production' managers struggle with this idea; they are used to equating improved service with greater cost. Many will read the last sentence of the preceding paragraph and assume that the implication will be higher cost because this means using more expensive people those they tend to keep in specialist functions 'behind' the front line. However, instead of thinking 'cost', managers should work on the 'causes of costs'[5]

When demand into call centers is understood from the customers point of view, an alarming volume of 'failure demand'. Demand costs by the failure to do something right for the customer – becomes apparent. This work represents a major cost as well as significant damage to the relationship. In some call centers failure demand runs as high as 75% of the total volume. It is never lower than 25%. Mass production thinking treats all demand as units of work. The systems thinker does the obvious thing – understanding demand from the customer's point of view and work on the causes of failure to remove them.

[4] Bear in mind the work often goes beyond the call center
[5] When one is managing with traditional, hierarchical and functional budgets.

However, the traditional organization design obviates working this way. The problems caused by other functions are not represented as costs on their own budgets; these other functions can make their numbers despite the costs caused. Managers of call centers who do appreciate these issues are forced to 'work through the hierarchy' to solve the problems. They are expected to attend meetings and make presentations, but often nothing gets done, for the hierarchy represents an inefficient means for solving such problems – the preoccupation of the various managers is to meet their own objectives, thus the inability to solve problems is designed in the system. It is not an answer to allocate such costs to the relevant functions or divisions; the costs should be eradicated. Although consumers may be comfortable with smaller firms, they tend not to believe that multi national firms can be trusted to be honest and fair[6]. Many consumers dislike advertising[7] and attitude towards advertising have become more critical over time with about 50% of the consumers disliking ads.

Because consumers are generally mistrustful of large companies there may be an opportunity for certain firms to gain a competitive advantage by developing relationship with customers. Companies with seek to engage consumers in relationships and take actions that indicate that they can be trusted, may find a positioning in their industry that has not yet been exploited.

2.3 Managerial implication and CRM

MANAGERIAL IMPLICATION

Relationship development with consumers can be an avenue to gaining competitive advantage.

2.3.1 Opportunity in marketing environment

Although consumers are suspicious of large firms, environmental factors are making consumers more amenable to engaging in relational behavior. Today, consumers are inundated daily with product information. Mittal (1994)

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[6] Francis, 1994
[7] Alwitt and Prabhaker, 1994

suggests that consumers are exposed to more than 3000 commercial messages during a typical week. USA as an ‘over communicated’[8] society and cite advertising proliferation, media expansion and product development as the causes. Consumers have become unable and unwilling to engage in complex decision making behavior and settle satisfactory solutions that include the use of heuristics, or decision rules, to simplify the purchase task[9] . By using a strategy of repeat purchasing from a single vendor, consumers make decision making easier and less costly in terms of effort. Same is the case with the

MANAGERIAL IMPLICATION *2.* Consumers want to have relationships with firms to make purchasing easier.

Through interactive technology the consumer can search the database of items in the virtual super market in a variety of ways based on his or her preferences. Consumers can also save special shopping lists that can be used repeatedly. Shopping is made easier and less expensive because the system makes it easier to take advantage of coupons and compare items.

2.3.2 Building strong relationships with customers:

For most people interpersonal relationships do not come easily. They require effort, consideration, thought and emotion. Similarly, in order for firms to develop and maintain relationships with customers they must consider relationship marketing as a long term process that requires constant monitoring and vigilance. Because of the myriad choices the markets place today, even one bad experience with a firm can lead a consumer to try to adopt a competitor. Through a more complete understanding of relationships, firms can develop strategies related to consumers on a one to one basis. Particularly with the customers of cars in Pakistan the dealers can establish relationships by keeping in touch with them and personal contacts, informal gatherings etc.

[8] Ries and Trout (1986) refer to US as the over communicated society in terms that it is bombarded with advertisements

[9] (Zaichkowsky, 1991).

Marketing relationships, like interpersonal relationships can be examined in phases. Courtship refers to the period before the sale in which the firm and the consumer get to know each other. After sale is made the relationship enters a maintenance phase. A relationship has the potential of remaining in the maintenance phase for long periods of time, provided that the parties continue to have their needs met by the arrangement. However, some relationships fail and eventually dissolve. A general understanding of each of the phases of a relationship can assess firms in managing their contacts with consumers.

2.3.3 Courtship

The first stages of the relationship involve discovery when information is exchanged between the partners. They seek out information from the other person, and provide information that makes them attractive to the other. In short, individuals present themselves in early stages of the relationship and determine whether they are compatible[10]. However, when information that does not lead to a joint reality is discovered, the relationship is terminated. In the customer relationship firms must make themselves attractive to the customers so that customers will purchase their products. Although consumers have less of an imperative to make themselves attractive, they must at least have the ability and willingness to purchase to be considered viable targets by the marketers. In some cases, consumers may want marketers to find them 'attractive'[11]. Additionally, consumers may benefit when firms find them attractive and research their needs and wants to provide them with tailored products and services. This is the area where the dealership network in Pakistan is really very weak. Customers are not informed about the latest products in the market and it is because of the communication gap between the customers and the company reps. So the dealers all over the company have to work upon their communication system and even their marketing systems have to be effectively improved.

[10] Karp and Yoels, 1985
[11] Such as when a consumer desires a credit card.

In marketing situations collection information about products and services is central to the purchase decision process. Even in relatively low involvement purchases, consumers engage in some level of information search, even if from memory. Customers may attend to advertising stimuli, rely on personal recommendations, examine marketing literature, talk to sales person or engage in pre purchase trial. These search activities in analogous to the discovery phase in interpersonal relationship and marketers should make information readily available to perspective consumers. However, if consumers discover that the information provided is misleading or in consistent with their needs, they will not continue the relationship.

In the courtship phase of a relationship the individuals not only seek out information, but expect that the other person is listening and remembering information about them. When one partner exhibits knowledge about the other the person feels validates and believes that information has been attended. The discovery phase of the relationship can be used by marketers to their advantage. As consumers seek out information about them, marketers may do the same. Learning about customer's needs, wants and desires can help marketers better serve them. However, when information about oneself has not been voluntarily disclosed in personal relationship, suspicion over the method by which the information was acquired develops. Marketers must be wary of how they gather information about customers.

MANAGERIAL IMPLICATION 3: Learn as much as possible about the customer, but do so using methods that flatter the customers, do not use the methods that build suspicion about organization's motives.

It is important when firms seek out consumers that they segment and target properly. Not all consumers are good prospects for relationship building. Consumers who are very similar to an organization's current consumers may not be good prospects for the organization's product[12]. Customers who are very similar to organization's current customers have already been provided with all the information about the product. If they wanted to buy it, they have had every

[12] Clancy and Shulman (1991)

opportunity to do so. They know the organization's product exists, where to get it and exactly why they do not want it.

2.3.4 Maintenance

However, a long term strategy work, if initiated, should be conducted as a target investment, as a process improvement work similar to software process improvement, in a number of steps:

- Initiating
- Data collection and analysis
- System and information
- Archival of strategy
- Measurement and goal fulfillment
- Continuous strategic management

In other words, the objectives of CRM are to create long term, mutually valuable relationships with important customers. The profits from these relations should be seen in a long term perspective.

The competition of the customers is increasing; the advantage of local presence is decreasing as geographic borders are diminishing because of the business alliances. The pressure on logistics and distribution increases as the local presence decreases. The market is divided in segments more and more. The focus is moved from classical mass market with higher needs than available towards more individualistic marketing, so called one to one marketing. That is based on the assumption that customers if the offers are tailored to their specific needs may be unique needs. The customers are becoming more demanding. The expectations on reliable products and good service are increasing. The tolerance for faults is decreasing; comparisons are done with best practices. The expectations are shifting, what was ok yesterday is not satisfactory today. The product quality has generally increased during the last years and it is not self evident that the quality of the product can give competitive edge. These reasons combined with the increased possibilities with tailoring special solutions and offering them to the customers is a good starting point. The internet, software and phones make it easy to cultivate close relationships with the customers.

2.3.5 Life time value concept

There is life time value (LTV) concept associated to the customer importance. It is the future net value of a customer through a relationship. The life time value is important in order to over invest in a customer without getting anything back. It is important to identify the LTV of customers. This can be done in both directions in time, historically and in the future. If this is done for the customers, four classes of customers can be identified as:

- Low historical value and low future value
- Low historical value and higher future value
- High historical value and low future value
- High historical value and high future value

At a glance, this might suggest that the least profitable customers should be decommissioned, this is not always true. If they cost more then they attribute that fact should be corrected. But otherwise use the knowledge to tailor make the service offer. The most valuable customers should be given the most resources. Invest in prolonging and widening the relationship. Different ways of investments can be given, for example tailor products and services, offer flexible billing and payments, develop a help desk and to devote the best staff to serve these customers. Widening the relationship is about selling in new concepts and concepts yet not used by customers. This is believed to be easier to sell the concept to a new customer.

2.4 Categories of CRM

A common dividing in the fields of CRM are the four categories

1. Strategic
2. Analytical
3. Operational

4. Interactive

- Strategic CRM is, about strategy, deciding a strategy on how to strengthen the customer relations. The work includes areas like process definitions, channel strategy (how should an organization act across different sales channel) and change strategy.
- Analytical CRM is about analyzing different aspects of the customers and their behaviors thus identifying segments and trends.
- Operational CRM is about the everyday work within the organization, normally introducing software support within the organization, but also about measurement (what information we want to spread across the organization).
- Interactive CRM finally is about coordinating the different contact areas to the customers, so that the customer is treated properly no matter how he/she is contacted or contacts the organization.

Now the problem lies in how to find key customers, the guidelines below prove to be quite helpful:

2.4.1 Find key customers

Everyone who comes into contact with the company is a customer or knows someone who could be a customer. Ones neighbors are even ones customers; ones banker is ones customer. So same is the case with ones employees too. So by adding all these and other people to ones list one can easily get an idea of ones customers. So even the Dealers of Honda and Toyota should take their time out and develop and to make a list of all these people who need to know about them. Not forgetting those who influence others. This list can be hand written or better if it is in a computer database. Keeping in mind that automating a continuous communication strategic program is much more effective if it is automated. After developing the list it should be divided into targeted groups. The classifications can be like current customer, prospective customer, influencer, employee, friend or referral. The later does quite an enormous amount of marketing and influencing in our society which is socially bound together through strong ties.

2.4.2 Determine what they want

If one perceives that ones customers and clients need something. Then the question arises “how clearly does the company understand what its customers perceive and what they need? In case of the dealership network they should Schedule time to really talk to people about their needs. Keeping in mind the basic needs of their clients i.e. to feel better about them, to be safe, to take care of the people they are responsible for and to enhance their ‘bottom line’. So when one can describe what each of ones customer group need from the company one is then in a position to educate its target customers about the company and its products.

2.4.3 Educate them about company’s business

Educating the target group about your products and how it can help them. No one likes to be ‘sold’ but most are willing to listen. So taking each group one has identified (especially the prospective customers) and developing a multiple contact strategy. After that contacting them and based upon their interest talk about real benefits that one discovered they need such as a win win relationship with ones organization. Only after doing this one should talk with a marketing agency of relations building specialists. These agencies are not in a bulk in Pakistan but purely marketing and advertisement firms like MPL can act as a replacement to these relationship building specialists. But even these people can only help after one has a clear idea of what ones message is. At times the marketing consultant can help with targeting and the message wished to be sent to various groups.

2.4.4 Developing strategic multiple contact plan

Now after having an idea of what one wants to say, the company should take the time to make a numbers based plan to get the word out. If the dealer has decided to tell five hundred prospective customers per month about ways one can help them, tracking each customer on daily basis should be done. So after that if the customers feel that the organization is really concerned about the benefit of the client then consciously or sub-consciously inclination towards the company occurs.

2.4.5 Learn from results

With the information one has gained from the consistent number based contact program, it would be discovered that there are even more ways of making more people understand ones business and work with ones clients. Taking the time on a monthly basis to review what the measured results are, can really help out the company. So the firm should keep on adding more and more potential clients to its list of target customers but most importantly refine the relationship that one is trying to make, which is what is so important to the customers. This can be difficult in start but in few months the organization will start seeing the ways to build the business through repairing, nurturing, leveraging and enhancing the relationship and gaining the success that every business wants to achieve.

2.5 Ansoff's Matrix - Planning for Growth

This well known marketing tool was first published in the Harvard Business Review (1957) in an article called 'Strategies for Diversification'. It is used by marketers who have objectives for growth. Ansoff's matrix offers strategic choices to achieve the objectives. There are four main categories for selection.

Ansoff's Product/Market Matrix

Product / Market	Present	New
Present	Market Penetration	Product Development
New	Market Development	Diversification

2.5.1 Market Penetration

Here we market our existing products to our existing customers. This means increasing our revenue by, for example, promoting the product, repositioning the brand, and so on. However, the product is not altered and we do not seek any new customers.

2.5.2 Market Development

Here we market our existing product range in a new market. This means that the product remains the same, but it is marketed to a new audience. Exporting the product, or marketing it in a new region, are examples of market development.

2.5.3 Product Development

This is a new product to be marketed to our existing customers. Here we develop and innovate new product offerings to replace existing ones. Such products are then marketed to our existing customers. This often happens with the auto markets where existing models are updated or replaced and then marketed to existing customers.

2.5.4 Diversification

This is where we market completely new products to new customers. There are two types of diversification, namely related and unrelated diversification. Related diversification means that we remain in a market or industry with which we are familiar. For example, a soup manufacturer diversifies into cake manufacture (i.e. the food industry). Unrelated diversification is where we have no previous industry nor market experience. For example a soup manufacturer invests in the rail business.

Ansoff's matrix is one of the most well know frameworks for deciding upon strategies for growth

2.6 SWOT Analysis

SWOT analysis is a tool for auditing an organization and its environment. It is the first stage of planning and helps marketers to focus on key issues. **SWOT** stands for **strengths, weaknesses, opportunities, and threats.** Strengths and weaknesses are **internal** factors. Weaknesses and threats are **external** factors.

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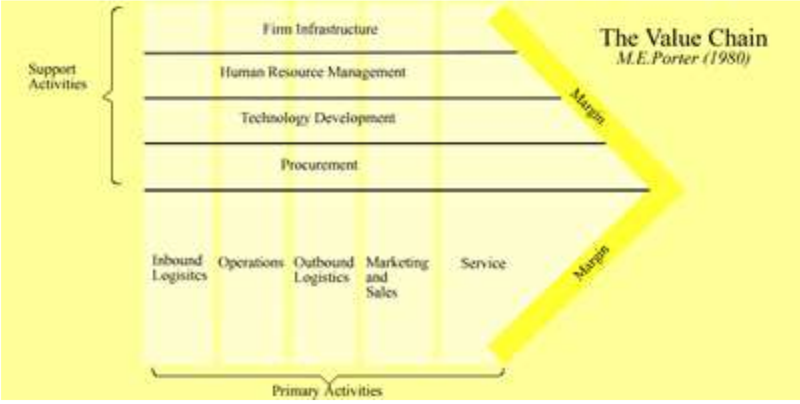
2.7 Value Chain Analysis



2.7.1 Value Chain Analysis

The value chain is a systematic approach to examining the development of competitive advantage. It was created by M. E. Porter in his book, Competitive Advantage (1980). The chain consists of a series of activities that create and build value. They culminate in the total value delivered by an organization. The 'margin' depicted in the diagram is the same as added value. The organization is split into 'primary activities' and 'support activities.'

2.7.2 Primary Activities

2.7.2.1 Inbound *Logistics*

Here goods are received from a company's suppliers. They are stored until they are needed on the production/assembly line. Goods are moved around the organization.

2.7.2.2 Operations

This is where goods are manufactured or assembled. Individual operations could include room service in an hotel, packing of books/videos/games by an online retailer, or the final tune for a new car's engine.

2.7.2.3 Outbound Logistics

The goods are now finished, and they need to be sent along the supply chain to wholesalers, retailers or the final consumer.

2.7.2.4 Marketing and Sales

In true customer orientated fashion, at this stage the organization prepares the offering to meet the needs of targeted customers. This area focuses strongly upon marketing communications and the promotions mix.

2.7.2.5 Service

This includes all areas of service such as installation, after-sales service, complaints handling, training and so on.

2.7.3 Support Activities

2.7.3.1 Procurement

This function is responsible for all purchasing of goods, services and materials. The aim is to secure the lowest possible price for purchases of the highest possible quality. They will be responsible for outsourcing (components or operations that would normally be done in-house are done by other organizations), and purchasing (using IT and web-based technologies to achieve procurement aims).

2.7.3.2 Technology Development

Technology is an important source of competitive advantage. Companies need to innovate to reduce costs and to protect and sustain competitive advantage. This could include production technology, Internet marketing activities, lean manufacturing, Customer Relationship Management (CRM), and many other technological developments.

2.7.3.3 Human Resource Management (HRM)

Employees are an expensive and vital resource. An organization would manage recruitment and selection, training and development, and rewards and remuneration. The mission and objectives of the organization would be driving force behind the HRM strategy.

2.7.3.4 Firm Infrastructure

This activity includes and is driven by corporate or strategic planning. It includes the Management Information System (MIS) and other mechanisms for planning and control such as the accounting department. [1]

2.8 Extended Marketing Mix 7-Ps

The 7-Ps or Extended Marketing Mix of Booms and Bitner is a Marketing Strategy tool that expands the number of controllable variables from the four in the original Marketing Mix Model to seven. The traditional Marketing Mix model was primarily directed and useful for tangible products. The 7-Ps model is more useful for services industries and arguably also for knowledge-intensive environments.

Booms and Bitner's expanded the marketing mix by adding the following 3 additional P's:

5. People: All people directly or indirectly involved in the consumption of a service are an important part of the extended marketing mix. Knowledge Workers, Employees, Management and other Consumers often add significant value to the total product or service offering.

6**. Process**: Procedure, mechanisms and flow of activities by which services are consumed (customer management processes) are an essential element of the marketing strategy.

7. Physical Evidence: The ability and environment in which the service is delivered, both tangible goods that help to communicate and perform the service and intangible experience of existing customers and the ability of the business to relay that customer satisfaction to potential customers.

The first two additional Ps are explicit (People, Process) and the third one (Physical Evidence) is an implicit factor.

Booms and Bitner also suggest that **Place** in a service-oriented company includes the accessibility of the service, and that **Promotion** in a service-oriented company includes the input of front-line service personnel. [2]

2.9 The BCG matrix

Product portfolio method

The **BCG matrix method** is based on the product life cycle theory that can be used to determine what priorities should be given in the **product portfolio of a business unit**. To ensure long-term value creation, a company should have a portfolio of products that contains both high-growth products in need of cash inputs and low-growth products that generate a lot of cash. It has 2 dimensions: **market share** and **market growth**. The basic idea behind it is that the bigger the market share a product has or the faster the product's market grows the better it is for the company.

Placing products in the BCG matrix results in 4 categories in a portfolio of a company:

1. Stars (=high growth, high market share)

- use large amounts of cash and are leaders in the business so they should also generate large amounts of cash.

- frequently roughly in balance on net cash flow. However if needed any attempt should be made to hold share, because the rewards will be a cash cow if market share is kept.

2. Cash Cows (=low growth, high market share)

- profits and cash generation should be high , and because of the low growth, investments needed should be low. Keep profits high

- Foundation of a company

3. Dogs (=low growth, low market share)

- avoid and minimize the number of dogs in a company.
- beware of expensive ‘turn around plans’.
- deliver cash, otherwise liquidate

4. Question Marks (= high growth, low market share)

- have the worst cash characteristics of all, because high demands and low returns due to low market share
- if nothing is done to change the market share, question marks will simply absorb great amounts of cash and later, as the growth stops, a dog.
- either invest heavily or sell off or invest nothing and generate whatever cash it can. Increase market share or deliver cash

The **BCG Matrix method** can help understand a frequently made strategy mistake: having a one-size-fits-all-approach to strategy, such as a generic growth target (9 percent per year) or a generic return on capital of say 9,5% for an entire corporation.

In such a scenario:

A. Cash Cows Business Units will beat their profit target easily; their management have an easy job and are often praised anyhow. Even worse, they are often allowed to reinvest substantial cash amounts in their businesses which are mature and not growing anymore.

B. Dogs Business Units fight an impossible battle and, even worse, investments are made now and then in hopeless attempts to 'turn the business around'.

C. As a result (all) Question Marks and Stars Business Units get mediocre size investment funds. In this way they are unable to ever become cash cows. These inadequate invested sums of money are a waste of money. Either these SBUs should receive enough investment funds to enable them to achieve a real market dominance and become a cash cow (or star), or otherwise companies are advised to disinvest and try to get whatever possible cash out of the question marks that were not selected.

Some **limitations of the Boston Consulting Group Matrix** include:

- High market share is not the only success factor

- Market growth is not the only indicator for attractiveness of a market
- Sometimes Dogs can earn even more cash as Cash Cows [3]

2.10 Cost Leadership, Differentiation, Focus

The **Competitive Advantage model** of **Porter** learns that competitive strategy is about taking offensive or defensive action to create a defendable position in an industry, in order to cope successfully with competitive forces and generate a superior return on investment. According to Michael Porter, the basis of above-average performance within an industry is **sustainable competitive advantage**. There are 2 basics types of CA:

- cost leadership (low cost), and

- Differentiation.

Both can be more broadly approached or narrow, which results in the third viable **competitive strategy**: focus.

Approach 1 to Competitive advantage: Cost leadership.

• = a firm sets out to become the low cost producer in its industry.

• Note: a cost leader must achieve parity or at least proximity in the bases of differentiation, even though it relies on cost leadership for it's CA.

• Note: if more than one company aim for cost leadership, usually this is disastrous.

• Often achieved by economies of scale

Competitive advantage model 2: Differentiation.

• = a firm seeks to be unique in it's industry along some dimensions that are widely valued by buyers.

• Note: a differentiator cannot ignore it's cost position. In all areas that do not affect it's differentiation it should try to decrease cost; in the differentiation area the costs should at least be lower than the price premium it receives from the buyers.

• Area's of differentiation can be: product, distribution, sales, marketing, service, image, etc.

Competitive advantage 3: Focus.

• = a firm sets out to be best in a segment or group of segments.

• 2 variants: cost focus and differentiation focus.

Stuck in the middle:

• Usually a recipe for below-average profitability compared to the industry

• Still attractive profits are possible if and as long as the industry as a whole is very attractive

• Manifestation of lack of choice

• Especially risky for focusers that have been successful and then to loose their focus. They must seek for other niches rather then compromise their focus strategy.

From a Value Based Management point of view, the CA approach to strategy helps to build a **relative competitive advantage**, together with Porter's Value Chain framework. Taken together, they can be seen as one of two dimensions in maximizing corporate value creation. The other value creation dimension is the Market/Industry Attractiveness for which another model from Porter is often used: the Competitive Forces model.

2.11 Five Competitive Forces Framework

The **Five Forces model of Porter** is an outside-in business unit strategy tool that is used to make an analysis of the attractiveness (value...) of an industry structure. The **Competitive Forces** analysis is made by the identification of 5 fundamental competitive forces:

o the ***entry of competitors*** (how easy or difficult is it for new entrants to start to compete, which barriers do exist)
o the ***threat of substitutes*** (how easy can our product or service be substituted, especially cheaper)
o the ***bargaining power of buyers*** (how strong is the position of buyers, can they work together to order large volumes)
o the ***bargaining power of suppliers*** (how strong is the position of sellers, are there many or only few potential suppliers, is there a monopoly)
o the ***rivalry among the existing players*** (is there a strong competition between the existing players, is one player very dominant or all all equal in strength/size)

o as a ***sixth*** factor could be added: ***government***.

Porter's competitive forces model is probably one of the most often used business strategy tools and has proven its usefulness on numerous occasions. **Porter's** model is particularly strong in thinking outside-in. Sare should therefore be taken not to underestimate or underemphasize the importance of the (existing) strengths of the organization (inside-out) when applying this **five competitive forces framework of Porter**.

From a Value Based Management point of view, the Five Forces model (Market/Industry Attractiveness) of Porter can be seen as one of two dimensions in maximizing corporate value creation. The other value creation dimension is how well a company performs relatively towards it's competitors (Relative Competitive Position), for which two other Porter-models are frequently used: the Value Chain framework and Porter's Competitive Advantage. [4]

2.12 Marketing Mix 4P's model 5P's

The **Marketing Mix model** (also known as the 4 P's) can be used by marketers as a tool to assist in implementing the M. strategy. M. managers use this method to attempt to generate the optimal response in the target market by blending 4 (or 5, or 7) variables in an optimal way. It is important to understand that the **MM principles** are controllable variables. The MM can be adjusted on a frequent basis to meet the changing needs of the target group and the other dynamics of the M. environment.

Product	Historically, the thinking was: a good product will sell itself. However there are no bad products anymore in today's highly competitive markets. Plus there are many laws giving customers the right to return products that he perceives as bad. Therefore the question on product has become: does the organization create what its intended customers want? Define the characteristics of your product or service that meets the needs of your customers.	Functionality, Quality, Appearance, Packaging, Brand, Service, Support, Warranty

Price	How much are the intended customers willing to pay? Here we decide on a pricing strategy - do not let it just happen! Even if you decide not to charge for a service (a loss leader), you must realize that this is a conscious decision and forms part of the pricing strategy. Although competing on price is as old as mankind, the consumer is often still sensitive for price discounts and special offers. Price has also an irrational side: something that is expensive must be good. Permanently competing on price is for many companies not a very sensible approach.	List Price, Discounts, Financing, Leasing Options, Allowances,
Place	Available at the right place, at the right time, in the right quantities? Some of the revolutions in business have come about by changing Place. Think of the internet and mobile telephones.	Locations, Logistics, Channel members, Channel Motivation, Market Coverage, Service Levels, Internet, Mobile
Promotion	(How) are the chosen target groups informed or educated about the organization and its products? This includes all the weapons in the marketing armory - advertising, selling, sales promotions, Public Relations, etc. While the other three P's have lost much of there meaning in today's markets, Promotion has become the most important P to focus on.	Advertising, Public Relations, Message, Direct Sales, Sales, Media, Budget

The **function of the MM** is to help develop a package (mix) that will not only satisfy the needs of the customers within the target markets, but simultaneously to maximize the performance of the organization. There have been many attempts to increase the number of P's from 4 to **5P's in the MM model**. The most frequently mentioned one being **People** or **Personnel**. Booms and Bitner have suggested a 7-Ps approach for services-oriented companies. [5]

Political, Economic, Social, Technological Factors

2.14 PEST Analysis

The **PEST Analysis** is a framework that **strategy consultants** use to scan the external **macro-environment** in which a firm operates. PEST is an **acronym** for the following factors:

- **Political factors**
- **Economic factors**
- **Social factors, and**
- **Technological factors.**

PEST factors play an important role in the value creation opportunities of a strategy. However they are usually beyond the control of the corporation and must normally be considered as either threats or opportunities. Remember macro-economical factors can differ per continent, country or even region, so normally a PEST analysis should be performed per country.

In the table below you find examples of each of these factors.

Political (incl. Legal)	Economic	Social	Technological
Environmental regulations and protection	Economic growth	Income distribution	Government research spending
Tax policies	Interest rates & monetary policies	Demographics, Population growth rates, Age distribution	Industry focus on technological effort
International trade regulations and restrictions	Government spending	Labor / social mobility	New inventions and development
Contract enforcement	Unemployment policy	Lifestyle changes	Rate of technology transfer

law Consumer protection			
Employment laws	Taxation	Work/career and leisure attitudes Entrepreneurial spirit	Life cycle and speed of technological obsolescence
Government organization / attitude	Exchange rates	Education	Energy use and costs
Competition regulation	Inflation rates	Fashion, hypes	(Changes in) Information Technology
Political Stability	Stage of the business cycle	Health consciousness & welfare, feelings on safety	(Changes in) Internet
Safety regulations	Consumer confidence	Living conditions	(Changes in) Mobile Technology

Completing a PEST analysis is relatively simple, and can be done via workshops using brainstorming techniques. Usage of PEST analysis can vary from business and strategic planning, marketing planning, business and product development to research reports.

Sometimes extended forms of PEST analysis are used, such as **SLEPT** (plus Legal) or the **STEEPLE analysis**: Social/demographic, Technological, Economic, Environmental (natural), Political, Legal and Ethical factors. Also Geographical factors may be relevant. [6]

Analyzing Industry Maturity Stages

2.15 Product Life Cycle

The **Product Life Cycle model** can help **analyzing Product and Industry Maturity Stages.**

Any Business is constantly seeking ways to grow future cash flows by maximizing revenue from the sale of products and services. Cash Flow allows a company to maintain viability, invest in new product development and improve its workforce; all in an effort to acquire additional market share and become a leader in its respective industry.

A consistent and sustainable cash flow (revenue) stream from product sales is key to any long-term investment, and the best way to attain a stable revenue stream is a Cash Cow product, leading products that command a large market share in mature markets. Also, product life cycles are becoming shorter and shorter and many products in mature industries are revitalized by product differentiation and market segmentation. Organizations increasingly reassess product life cycle costs and revenues as the time available to sell a product and recover the investment in it shrinks.

Even as product life cycles shrink, the operating life of many products is lengthening. For example, the operating life of some durable goods, such as automobiles and appliances, has increased substantially. This leads the companies that produce these products to take their market life and service life into account when planning. Increasingly, companies are attempting to optimize life cycle revenue and profits through the consideration of product warranties, spare parts, and the ability to upgrade existing products.

It's clear the concept of life cycle stages has a significant **impact upon business strategy and performance**. The Product Life Cycle method identifies the distinct stages affecting sales of a product, from the product's inception until its retirement. In the **Introduction stage**, the product is introduced to the market through a focused and intense marketing effort designed to establish a clear identity and promote maximum awareness. Many trial or impulse purchases will occur at this stage. Next, consumer interest will bring about the **Growth stage**, distinguished by increasing sales and the emergence of competitors. The Growth stage is also characterized by sustaining marketing activities on the vendor's side, with customers engaged in repeat purchase behavior patterns. Arrival of the product's **Maturity stage** is evident when competitors begin to leave the market, sales velocity is dramatically reduced, and sales volume reaches a steady state. At this point in time, mostly loyal customers purchase the product. Continuous decline in sales signals entry into the **Decline stage**. The lingering effects of competition, unfavorable economic conditions, new fashion trends, etc, often explain the decline in sales.**Several variations of the industry life cycle model** have been developed to address the development of the product, market, and/ or industry. Although the models are similar, they differ as to the number and names of the stages. Here are some major ones:

1973: **Fox**: precommercialization - introduction - growth - maturity - decline. 1974: **Wasson**: market development - rapid growth - competitive turbulence - saturation/maturity - decline

1984: **Anderson & Zeithaml**: introduction - growth - maturity - decline

1998: **Hill and Jones**: embryonic - growth - shakeout - maturity – decline. [7]

Product/market grid Ansoff

2.16 Business unit strategy model

The product/market grid of Ansoff is a model that has proven to be very useful in business unit strategy processes to determine business growth opportunities. The **product/market grid** has two dimensions: products and markets.

Over these 2 dimensions, four growth strategies can be formed:

- market penetration,

- market development,

- product development, and

- diversification.

2.16.1 Market Penetration

Company strategies based on market penetration normally focus on changing incidental clients to regular clients, and regular client into heavy clients. Typical systems are violume discounts, bonus cards and customer relationship management.

2.16.2 Market Development

Company strategies based on market development often try to lure clients away from competitors or introduce existing products in foreign markets or introduce new brand names in a market.

2.16.3 Product Development

Company strategies based on product development often try to sell other products to (regular) clients. This can be accessories, add-ons, or completely new products. Often existing communication channels are leveraged.

2.16.4 Diversification

Company strategies based on diversification are the most risky type of strategies. Often there is a credibility focus in the communication to explain why the company enters new markets with new products. This 4th quadrant (diversification) of the **product/market grid** can be further split up in four types:

- horizontal diversification (new product, current market)

- vertical diversification (move into firms supplier's or customer's business)

- concentric diversification (new product closely related to current product in new market)

- conglomerate diversification (new product in new market).

Although already decennia old, the **product/market grid of Ansoff** remains a valuable model for communication around business unit strategy processes and business growth. [8]

Research Methodology

3.1 Introduction

This research study focuses on the overall analysis of book industry as a whole and online book industry as particular. The study focuses on the opportunities for the establishment of an online book store in Pakistan. It also includes competitor's analysis and the current condition of the other book stores of Islamabad like Mr. Books etc.

3.2 Significance of the Research

This study work will be of particular importance because so for no prior study has been executed at this topic. The study is a complete marketing and online model plan. The study will talk about overall strengths and Weaknesses of the online book industry and search for the opportunities those exist in the Pakistani Market. A marketing and pricing strategy is also formulated in the Pakistani environment aligned with the popular online models and marketing strategies. This research will be a blueprint for future studies on the topic.

3.3 The Thesis Plan

The study deals with the following topics

1. Overall Introduction of the book industry as a whole and Pakistani book industry in particular.
2. Internal and External Environment (Environment Scanning). This includes SWOT analysis describing key Strengths, weaknesses, opportunities and threats.
3. Five Forces models in order to understand the industry attractiveness.
4. Survey and Market research of the target market
5. Pricing Strategies
6. Marketing Strategies

7. Customer Relationship Management
8. Applying online models on the traditional book industry in Pakistani perspective.

3.4 Research Methodology

Data will be collected for this research by using different sources and techniques:

3.4.1 **Primary Sources**

- Questionnaire's to be distributed among people who are regular visitors of local book stores.
- Direct interviews and trade promotion conversation with the shopkeepers of the selected retail outlets.
- Pakistan Software Export Promotion Board.
- Different Local bookstores in Islamabad and Peshawar.

3.4.2 **Secondary Sources**

- Internet
- Magazines
- Related handouts, brochures etc
- Books
- Periodicals and publications
- Case Studies

3.5 Limitations of the Thesis

Limitation of the research lies in the fact that the researcher has no significant IT background so technical aspects have never been discussed nor they were required. The research study is solely meant to find the opportunities which exist in the local market in perspective of online retailing and trading in books industry. However the researcher has made its best to not let any aspect untouched which is of relevant importance. However there was limited access to information due to the confidential concerns regarding finance and competitors fear. Similarly this academic business plan will not emphasize any of the particular topics but will focus on the plan as a whole giving sufficient attention to each related issue.

Market Research & Analysis

The objective of a good market survey is to determine a reasonable sales forecast. The thoroughness of a market analysis depends greatly on the data availability and the prevailing conditions. In the case of Mr. Books it has been emphasized to gather information from more than one source. Theses sources enhance the authenticity of the market analysis results.

4.1 Sources of Information

The following sources have been used.

1. Internal Search
2. Primary Sources
3. Secondary Sources

4.1.1 Internal search
includes the sources that are not common to everyone. This includes the private network of the stakeholders involved. Other businessmen, exporters, friends living in the concerned countries are examples of internal sources. The authenticity of these sources varies greatly. But these sources give you information that is sometimes extremely useful and cannot be found from other sources.

4.1.2 Secondary search
includes all the information that is produced by the third parties, either for their own purpose or for the benefit of the general public and businesses. The authenticity of these sources is more than internal sources. These sources give you standard information.

4.1.3 Secondary search
contains direct interviews, surveys etc to see the current trends etc. all the three sources are used in our data gathering process. The references are given to the particular sources so that the evaluator can himself/herself see the credibility of the data. [ix]

4.2 The Target Market

Choosing appropriate target market requires extensive search for data and the in-depth analysis. Based on our analysis we have found that Mr. Books is strong enough to operate in the whole Pakistan.

4.3 Essential Statistics

PAKISTAN AT A GLANCE 1998-CENSUS	
Area (Sq. Kms.)	**796,096**
Population (000)	**132,352**
Male	**68,874**
Female	**63,478**
Sex Ratio	**108.5**
(Males per 100 Females)	
Population Density	**166.3**
(Persons per Sq. Km)	
Urban Proportion	**32.50**
Average Annual Growth Rate (1981-1998)	**2.69**
Literacy Ratio (10+)	**43.92**
Male	**54.81**
Female	**32.02**
Labour Force Participation Rate (10+)	**31.98**
Average Household Size	**6.8**

Pakistan
International boundary
Province-level boundary
National capital
Province-level capital
Railroad
Road
Azad Kashmir and the Northern Areas are administered by Pakistan but do not have provincial status.
0 50 100 200 Kilometers
0 50 100 200 Miles
Lambert Conformal Conic Projection, SP 12N/38N
UZBEKISTAN
TURKM.
TAJIKISTAN
CHINA
AFGHANISTAN
IRAN
INDIA
NORTHERN AREAS
NORTH-WEST FRONTIER
AZAD KASHMIR
FEDERALLY ADMINISTERED TRIBAL AREAS
ISLAMABAD CAPITAL TERRITORY
PUNJAB
BALOCHISTĀN
SINDH
Dushanbe
Qūrghonteppa
Termiz
Mazār-e Sharīf
Kholm
Kondūz
Sheberghān
Baghlān
Pol-e Khomrī
Chārīkar
Kabul
Jalālābād
Ghaznī
Gardeyz
Shīndand
Farāh
Delārām
Lashkar Gāh
Qandahār
Zābol
Zaranj
Feyzābād
Khorugh
Murghob
Shache
Yecheng
Taxkorgan
Chitrāl
Gilgit
Skārdu
Kargil
Srīnagar
Muzaffarābād
Mardān
Landi Kotal
Peshāwar
Islāmābād
Rāwalpindi
Pārachinār
Kohāt
Thal
Bannu
Tānk
Dera Ismāīl Khān
Zhob
Chaman
Quetta
Khost
Sibi
Dera Ghāzi Khān
Multān
Sargodha
Faisalābād
Lahore
Sāhīwāl
Kasūr
Sialkot
Gujrānwāla
Jammu
Amritsar
Jullundur
Ludhiāna
Chandīgarh
Ambāla
Bhatinda
Pānīpat
Rohtak
Delhi
New Delhi
Bahāwalpur
Rahimyār Khān
Jacobābād
Sukkur
Nok Kundi
Dālbandin
Sūrāb
Hāmūn-i-Māshkel
Panjgūr
Turbat
Bela
Jiwani
Gwādar
Pasni
Karāchi
Hyderābād
Nawābshāh
Mirpur Khās
Bīkaner
Ratangarh
Jaisalmer
Jodhpur
Ajmer
Jaipur
Bārmer
Kota
Pālanpur
Īrānshahr
Zāhedān
Amu Darya
Darya-ye Panj
Panj
Kunar
Indus
Darya-ye Konar
Kondūz
Darya-ye Helmand
Darya-ye Arghandab
Helmand
Rūd
Farāh
Khāsh Rūd
Gumal
Zhob
Jhelum
Chenāb
Rāvi
Sutlej
Beās
Yamuna
Yarkant He
Cease-Fire Line
Indian claim
Chinese line of control
Rakhshān
Mashkai
Kech
Nihing
Dasht
Lūni
Banās
Chambal
Kāli Sindh
seasonally inundated
Rann of Kutch
64
72
32
24

The researcher made its best efforts to find precise statistics on the book industry of Pakistan but no authenticate source was found. However the researcher has shown some statistics of US market because US market is the first online book industry market and hence is a model for other nations to study. This table also shows us the category of

4.4 U.S. Trade Book Production

(All Hardback and Paperback)

Statistics compiled by Andrew Grabois, Senior Director of Publisher Relations, R.R. Bowker

Category	1993 Final	1995 Final	1999 Final	2000 Final	2001 Final	2002 Final	2003 Final	2004 Final
Agriculture	115	93	85	100	74	63	42	42
Arts	365	365	346	325	280	280	237	247
Biography	519	601	799	769	823	765	775	812
Business	510	602	640	671	1,032	1,139	897	1,116
Education	220	232	367	339	310	534	455	429
Fiction	4,093	4,307	4,898	4,724	6,046	4,848	4,952	5,125
General Works	157	140	152	134	113	100	114	142
History	403	481	557	601	659	571	718	666
Home Economics	520	618	590	594	539	464	486	487
Juveniles	4,554	4,507	5,033	4,857	5,040	5,135	5,294	6,660
Language	271	276	319	315	331	501	693	500
Law	214	209	110	98	98	86	95	125
Literature	576	579	890	689	540	517	664	488
Medicine	458	488	703	597	634	550	568	593
Music	85	96	120	124	94	95	131	90
Philosophy, Psychology	594	713	858	821	879	827	838	910
Poetry, Drama	226	276	373	290	237	230	256	225
Religion	455	686	684	875	753	767	956	829
Science	896	1,021	1,224	1,130	1,066	1,073	1,144	1,047
Sociology, Economics	1,217	1,254	1,519	1,633	1,661	1,466	1,522	1,609

Sports, Recreation	420	444	541	528	480	467	571	524
Technology	831	1,274	964	971	958	1,203	1,041	965
Travel	371	472	408	528	618	695	465	528
Totals:	**18,070**	**19,734**	**22,180**	**21,713**	**23,265**	**22,376**	**22,914**	**24,159**

Books which are most favorite in currently. While analyzing this data the researcher has found great resemblance between Pakistani and US book industry. During the market research process he came to know that Fiction is the favorite topic of Pakistani book lovers and the same is true for US (as shown in the table).

Customer Analysis

5.1 PEST analysis

5.1.1 Political Factors

There is a high degree of political stability in Pakistan. The political system is well developed and maintained. The only way by which the governments change is the fair election system that is pure democracy. Although there are few criticisms on the system of democracy but over all the political stability is very high. Institutions are so strong that it is not easy for even the present government or the most influential of persons to influence them and make them bring some abrupt changes. Economy is getting stronger and bigger. The government policies on code of ethics and rules of fair play are also in process.

5.1.2 Economic Factors

As far as the economic factors are concerned there is a great scope for the Mr. Books in the Pakistani Economy. GDP is growing and buying powers of customers is increasing. Labor costs very low and the labor is easily available. In the case of online business the skilled manpower in IT and computing technologies is up to the standard.

5.1.3 Socio cultural factors

The dominant religion is Islam however there is no discrimination on the basis of religion. The attitude of people is very good towards the foreign brands. The economy is capitalistic so the rules of demand and supply prevail and they are the determinants of final price .People are not so quality conscious, they are more or less price conscious. The population of Pakistan is 150000000. There is no discrimination among men and women in most of the fields. As far as books are concerned generally people are not book lovers but the potential is there because the market is empty.

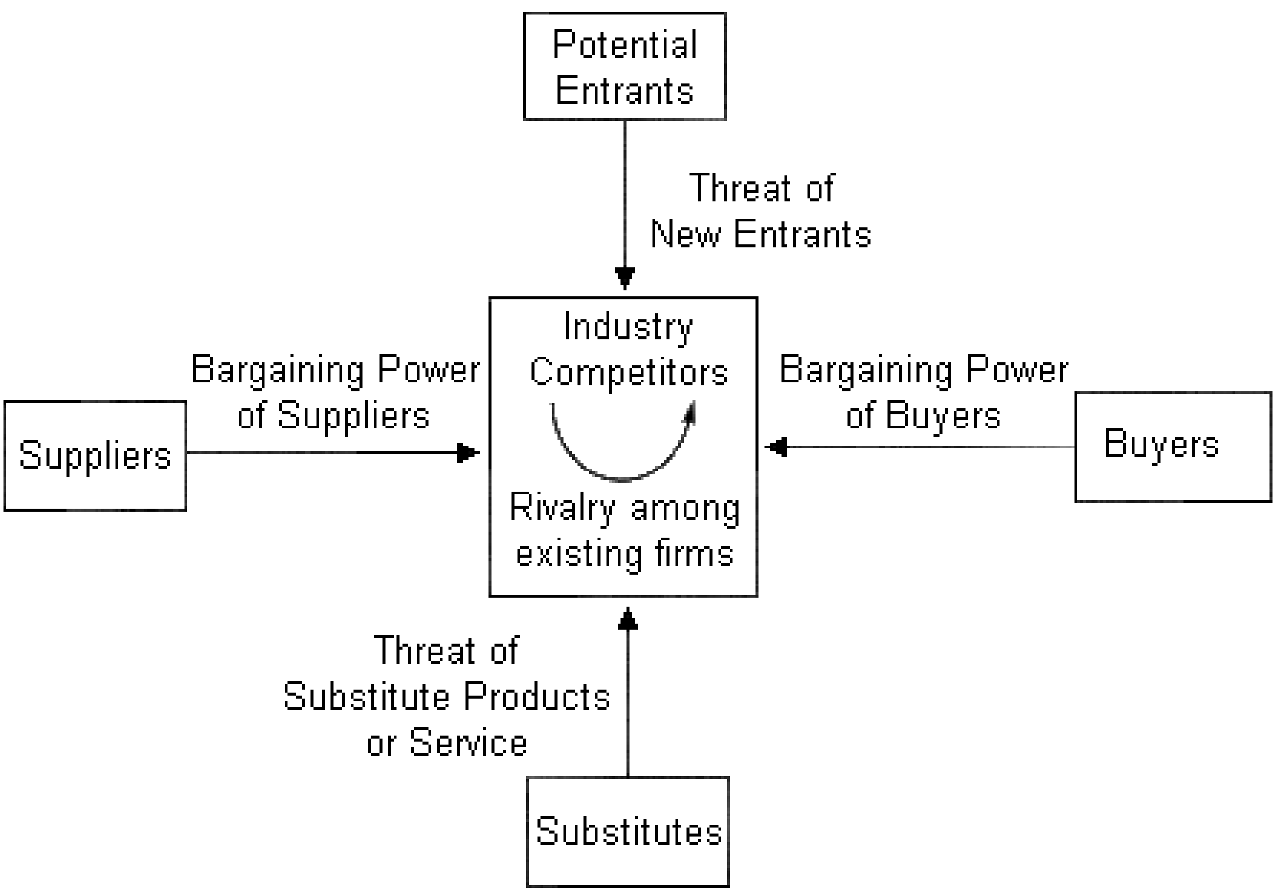
5.1.4 Technological Factors

The internet usage is high in Pakistan so the information technology and internet can be effectively used to reach the target market segments easily and at lesser cost and that too in shorter span of time.

Another important factor is that in Pakistan the innovations keep on coming in every area and the cost reduction process goes on because of improved methods of production and distribution, but the advantage that Mr. Books brand has is of extremely lower cost.

5.2 Porter's Five Forces Model

The Five Forces model of Porter is an outside-in business unit strategy tool that is used to make an analysis of the attractiveness (value...) of an industry structure. The Competitive Forces analysis is made by the identification of 5 fundamental competitive forces:



5.2.1 Threat of New Entrants

It is not only incumbent rivals that pose a threat to firms in an industry; the possibility that the new firms may enter the industry also affects competition. Keeping in view the low barriers to entry the threat of new entrants is considered as high. This lowers the profit in the long run but due to our low cost at home we should have significant profits as compared to our existing or new rivals. In our case the following barriers to entry may exist:

- Government Regulations creating barriers to entry.
- Patents and proprietary knowledge which serves to restrict entry into an industry.
- Asset specificity inhibits entry into an industry.
- Economies of scale act as a barrier to entry.

The threat of new entrants is moderate because the industry offers huge potential and at the same time good infrastructure is needed.

5.2.2 Threat of Substitutes

In porter's model substitute products refer to the products in other industries. To the economist a threat of substitute exists when a product demand is affected by the price change of a substitute product. The competition engendered by a threat of substitute comes from products outside the industry. While the threat of substitutes typically impacts an industry through price competition, there can be other concerns in assessing the threat of substitutes. In the industry of soccer ball the threat of substitutes does not exist at all. As there is no substitute to a book.

5.2.3 Power of Buyers

The power of buyers is the impact that customers have on a producing industry. In general when buyer power is strong, the relationship to the producing industry is near to monopsony. However in the book industry the power of buyer's moderate. Reason being that buyers are very much fragmented, the quantity purchased at one time is very low but the switching costs are also low and the sellers are facing intense competition.

5.2.4 Supplier Power

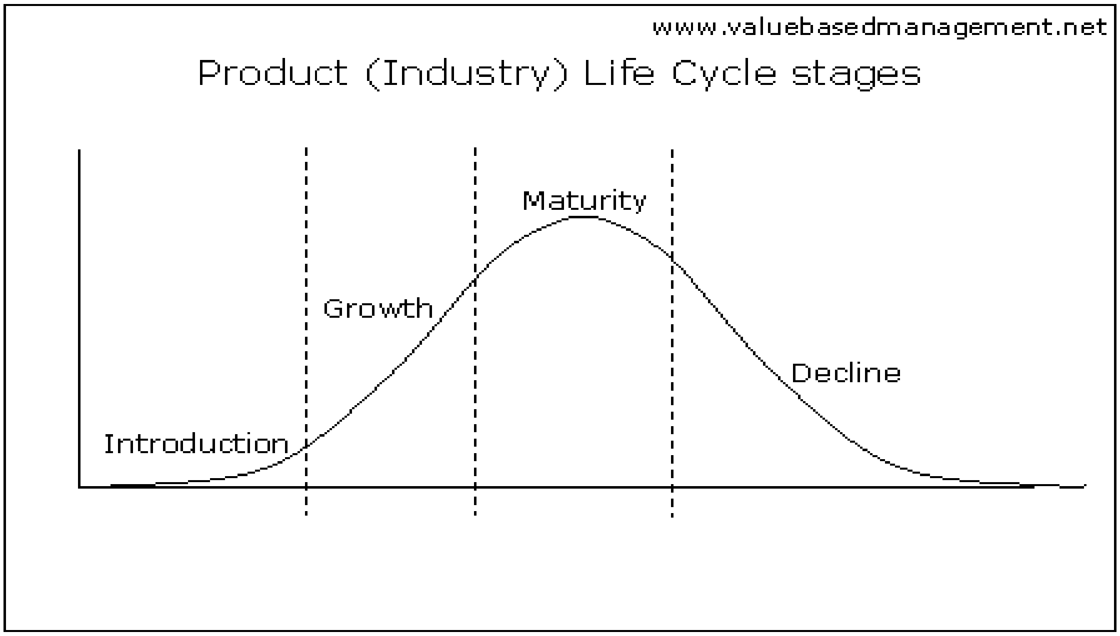
The industry of books selling requires published books from different publishers so these publishers are the suppliers in this case. This requirement lead to buyer supplier relationships between the industry and the firms that provide its raw materials used to create products. Suppliers if powerful can exert an influence on the producing industry, such as selling raw materials at high price thus lowering the profit of the industry. In the case of books industry the power of suppliers is high and they have significant influence on the operations of the client firm.

5.2.5 Rivalry

The rivalry in the books industry is moderate to high. However it varies from region to region. In USA and EU it is more towards high. Because the rivalry is moderate to high we can say that industry is not disciplined. At the same time the industry is still in growth stage so rivalry is not intense and significant profits exist in the industry.

5.3 Product Life Cycle

The Product Life Cycle model can help analyzing Product and Industry Maturity Stages.



Any Business is constantly seeking ways to grow future cash flows by maximizing revenue from the sale of products and services. Cash Flow allows a company to maintain viability, invest in new product development and improve its workforce; all in an effort to acquire additional market share and become a leader in its respective industry. A consistent and sustainable cash flow (revenue) stream from product sales is key to any long-term investment, and the best way to attain a stable revenue stream is a Cash Cow product, leading products that command a large market share in mature markets. Also, product life cycles are becoming shorter and shorter and many products in mature industries are revitalized by product differentiation and market segmentation. Organizations increasingly reassess product life cycle costs and revenues as the time available to sell a product and recover the investment in it shrink. It's clear the concept of life cycle stages has a significant impact upon business strategy and performance. The Product Life Cycle method identifies the distinct stages affecting sales of a product, from the product's inception until its retirement.

In the Introduction stage, the product is introduced to the market through a focused and intense marketing effort designed to establish a clear identity and promote maximum awareness. Many trial or impulse purchases will occur at this stage. Next, consumer interest will bring about the Growth stage, distinguished by increasing sales and the emergence of competitors. The Growth stage is also characterized by sustaining marketing activities on the vendor's side, with customers engaged in repeat purchase behavior patterns. Arrival of the product's Maturity stage is evident when competitors begin to leave the market, sales velocity is dramatically reduced, and sales volume reaches a steady state. At this point in time, mostly loyal customers purchase the product. Continuous decline in sales signals entry into the Decline stage. The lingering effects of competition, unfavorable economic conditions, new fashion trends, etc, often explain the decline in sales.

In the product life cycle stage the books industry is in growth stage. The symbols of the industry favor the fact that industry is still in growth stage because growth rate is significant and till new entrants are entering the industry.

5.4 Target Customer

5.4.1 What-The genuine need of customer

Books are a necessity in the approximately every nation in the world. It is a strong product. When we see this scenario in the perspective of Mr. Books, we are particularly focusing on the need of good service, book quality but at a low cost.

5.4.2 Who-Consumer/Industrial/Business (user/buyer)

The direct customer of Mr. Book’s products is the end users. We particularly focus on maximizing their interests. While making, pricing and promoting the products we see our customers as the end users i.e. consumers.

5.4.3 Where-Place of purchase or consumption (public/private)

The place of purchase is the bookstore and the places of consumption are the colleges, universities, libraries and homes. That is really convenient for the business particularly helpful for promotion and advertising campaigns.

5.4.4 Why-Customer benefits (functional/emotional)

Initially our products are exposing their functional benefits. At the start of the business no firm can be able to associate emotions to its product and in the minds of customers. The emotions evolve over time and a comprehensive advertising campaign and consistent quality is needed to deliver.

5.4.5 When-Time of consumption, seasonality

Although the product is used around the year and no significant time of consumption or season can be traced.

5.4.6 How -Purchase quantity and frequency

The purchase quantity and frequency will vary around the year and it will increase in the season of admission in the schools, colleges and universities.

5.5 Consumer Profile

5.5.1 Geographic

All the consumers living in the all the cities of Pakistan

5.5.2 Demographic

5.5.2. Age: All consumers between the ages of 18-60 years

5.5.2. Sex: Consumers relating to both sexes

5.5.2. Income: Income between PKR 12000+

5.5.2. Life-cycle stage: Empty Nest, Full Nest, Singles, Couples

5.5.2. Social Class: Lower Middle class, Middle Class, Working Class, Upper Class etc

Pricing Policies

Because Mr. Books is going National so we have to take care of pricing concerns in particular. Pricing is one of the most critical and complex issue in the marketing strategies. The experience tells that pricing policy can make or break a company's overseas expansion efforts. At the same time we face the challenge of coordinating the pricing across brands, cities and countries (when going for further expansion).

6.1 Pricing Goals

Keeping in view all theses things, to make a good pricing policy, the following are the main drivers affecting the pricing policy.

6.1.1 General Company goals

6.1.1.1 Satisfactory ROI: Company will seek satisfactory return on investment as the result of its pricing policies

6.1.1.2 Market Share: Company will try to maximize its market share through proper pricing policies

6.1.1.3 Specified Product Goal: Along with these two goals, company will also seek for specified product goals because it is selling more than one product

6.1.2 Other Goal Considerations

- Company Cost
- Competition
- Customer Demand
    - Elasticity
- Distribution Channels
    - Variations in Trade margins
- Government Policies
- Seasonal Nature of Sales
- Distributors Suggested Prices
- Price Lining
- Policy on Loss Leaders

Managing Price Escalation

As our one of the main business competences are keeping our cost low so managing the escalation is critical for the business success. In order to reduce our cost and keep more power in our hands rather than the other stakeholders the following steps have been taken.

6.2 Rearranging the Distribution Channels

The distribution channels are rearranged and various costly intermediaries are eliminated. The company has to interact with the foreign and local publisher only. This **intermediation** has come up with tremendous savings for the company. The wholesalers, buying houses and agents are not included in the distribution channel.

6.3 Eliminating costly features

We have eliminated the features that contribute in the cost of the products. In more sophisticated wording we, actually, have made these features optional. If the partner at the other end, will demand those features can be added without any hazards. Special attention has been paid while eliminating the features or making them optional. The cost benefit analysis is done. The features are not very demanding among the targeted customers and neither have they adversely affected the product quality or functionality.

6.4 Competitors Price

While taking the decision of price, competitors price is a crucial factor which can never be ignored in any circumstances. The researcher has carefully taken care of competitors price and analyzed the particular attributes under lying the pricing decisions of competitors.

6.5 Relationship Pricing

Mr. Books will also practice relationship pricing, in which customers will get price incentive if you do more business with one firm. The purpose of this incentive will be to increase customer loyalty and sales in large amounts. This will also help to build long-term relationships with the best customers. This method of pricing will focus on giving better deals to better customers

6.6 Base Price

The company will set a base price which will guide to the discount process. The base price for each product is cost of goods sold plus 15% gross margin.

6.7 Specified Pricing Goals

The company has set the following pricing goals which will serve as price guidelines. The goals are listed as priority wise.

- ✓ Increase Sales
- ✓ Capture Market Share
- ✓ Manage And Seduce the Prevailing Risk
- ✓ Build Reputation of the Brands and Company
- ✓ Increase Profits

6.8 Discounts and Allowances

6.8.1Quantity discount: The more you buy, the cheaper it becomes. This is mentioned in the relationship pricing.

6.8.2 Cash discount: A deduction granted to buyers for paying their bills within a specified period of time, (after first deducting trade and quantity discounts from the base price). This will also be given on case to case basis.

6.9 Pricing Strategies

6.9.1 Price discrimination

Mr. Books will use Price Discrimination tactics in future but for our first years of operation we will not practice this. The reason lies in the l complexities involved in the decision. After making a detailed analysis we will be able make a decision about it. However it is definitely a good option for future strategies.

6.9.2 Psychology of Pricing

The psychology of pricing suggests that price will convey a message about the product or service being sold. In our case the product will carry low cost that might damage the image of the products. To cope it we have chosen different segments that are aligned with this product category. Our advertisement campaigns will also try to establish a good image about the product.

6.10 Factors to Consider When Setting Price

6.10.1 Internal Factors

6.10.1.1 Variable Cost: Variable cost constitutes a big part in both products. It differs from product to product.

6.10.1.2 Fixed Cost: Fixed costs are very much in control and can be increase or decrease as needed.

6.10.1.3 Experience (learning) curve effects on price: Experience Curve effect will help us to lower prices as we become more and more experienced over time

6.10.2 External Factors

6.10.2.1 Competitors' costs, prices, and offers

Competitor's prices and costs both are high because competitors are in USA like B & N and Amazon.

6.10.2.2 Consider competitors' possible reactions

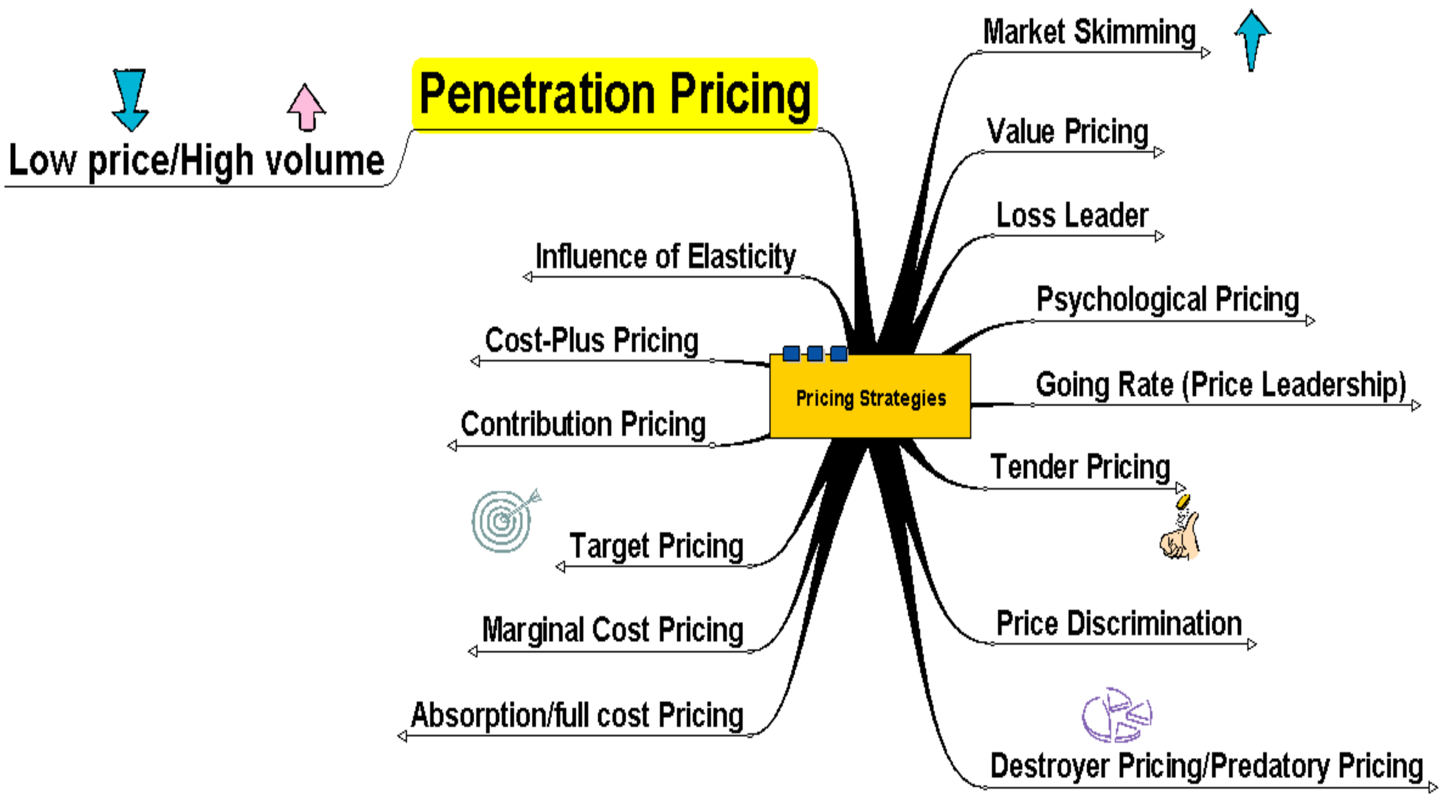
We have considered competitor's possible reactions when developing a pricing strategy. Usually our competitors are big brands like B & N and Amazon. These companies have established brands and are enjoying high market and profit shares. So there is no price retaliation threat by big companies. However small store brands can be direct competitors but they lake sustained efforts to compete.

6.11 Market-Penetration Pricing

Market penetration pricing is to set a low initial price for a new product. This method of pricing is best suited to Mr. Books because our market is large and product demand is elastic. This pricing will also tackle the competition. The base of this method is to reduce costs of the product in order to lower prices. We have already mentioned in the price escalation heading how the costs will be reduced.

Quality

Price	Low	High
Low	Economy Strategy E.g. Tesco Spaghetti	Penetration E.g. Telewest Cable phones
High	Skimming E.g. New film or Album	Premium E.g. BA first Class



Penetration is useful typically in mass market products like sporting goods chocolate bars, food stuffs, household goods, etc. It is also suitable for products with long anticipated life cycles like footballs etc

www.Amazon.com

Analysis

Amazon.com began operating in July 1995—nine months after the first Netscape Web browser appeared on the market—out of the garage of Bezos' rented house in Bellevue, Washington. Bezos, a 32-year-old electrical engineering and computer science graduate of Princeton and a former Senior Vice President at D.E. Shaw and Co., a Wall Street brokerage house, realized the potential of electronic commerce on the Internet early. As he recalled:

In spring 1994, I came across a statistic that the growth rate of Web usage was 2,300% a year. And that was a time, remember, when nobody had any idea how many people were on the Web, it turned out that,

though you couldn't measure the baseline usage, you could measure growth rate. And things rarely grow that quickly. If something's growing that fast, unless the baseline is incredibly small, then it's going to be ubiquitous very quickly, just anecdotally, I could tell that the baseline was non-trivial. And therefore it looked like the Web was going to get very big very fast. [10]

Bezos concluded, for these reasons, that interactive retailing would become a "killer application" on the Internet. In deciding what product categories would work best, Bezos first made an analysis of 20 product groups and weighed the pros and coms of each one. He quickly narrowed his choice', down to two—books and music—and settled on books because of the category's larger size, greater diversity, and lower risk of possible influence by a handful of distributors, While there were over 200,000 active music CDs in print at any given time, there were over 1.5 million English book titles in print around the world. Furthermore, the music industry had six major companies that owned most of the big labels, which Bezos saw as a concentration of power that could easily freeze out an upstart. In the book industry this was much less a risk, given that there were over 20,000 publishers in the United

States alone. The two largest book-sellers in the United Slates, Barnes & Noble and Borders, together accounted for less than 25% of total sales. "There aren't any 800-pound gorillas in bookselling," said Bezos. [11]

Bezos also believed that the large number of book titles available made book selling an aptly-suited retail business on the Internet. Many book buyers, Bezos observed, were already comfortable with the concept of searching for books on computers- Added Bezos:

At the time, I made the observation that books was one of the few—maybe the only—category where computers have already been very helpful in selling the product. For a long time, bookstores have had information desks, where you walk up and somebody uses a computer to help you find what you're looking for. Computers were already helpful in selling books. You could see how with a large number of products, the sorting and searching could help. But that wasn't the main thing. The main thing was that you could build a bookstore on the Web that simply couldn't exist any other way. The Web is an infant technology. If you want to be successful in the short-to-medium term, you can only do things that offer incredibly strong value propositions to customers relative to the value of doing things in more traditional ways. This basically means that, right now, you should only do on-line what you cannot do any other way. The largest physical bookstores only carry 170,000 titles. There are only three that big. We have 1.1 million titles in our catalogue. And if we printed our catalogue, it would be the size of seven New York City phone books. [12]

As a result of these insights, Bezos decided to quit his job at D.E. Shaw in June 1994, and moved west to start a bookselling operation over the Internet. Bezos wrote the business plan for Amazon.com on his laptop computer while he and his wife drove to the specific. Northwest; he had chosen Seattle as the ultimate destination because of its proximity to computer industry talent and several large book distributors. The original name for the company was "Cadabra," under which it was incorporated, but many test consumers wound up confusing it with "Cadaver," which seemed unpropitious, so Bezos selected the name "Amazon.com" instead. Bezos felt that future consumers would have an easy enough time remembering the world's biggest river as the name for the world's biggest bookstore. [13]

Amazon.com was established with a small number of private investors who put up a few million dollars; an additional $8 million was later invested, in 1996, by venture capital firm Kleiner Perkins Caufield & Byers. The business opened to the public in July 1995, operating out of a small office with a tiny staff. Recalled Bezos about the first days of business:

The day before we opened the store to the public in July 1995, we looked at the miniature warehouse we had made ready. It was only 500 square feet One of our senior developers looked at the small size and said," I don't know if this is hopelessly pathetic or incredibly optimistic." It turned out to be hopelessly pathetic. Fortunately, though the physical warehouse was in many ways a toy, the software we had built to manage our almost-in-time inventory system was not. We had put a lot of work into the system in advance, and it paid off. We were able to scale very quickly as our volume grew. On the day we first opened the store, we programmed the system so that every time we received an order it rang a bell on even' employee's terminal and simultaneously put up a little line on the screen describing the sale. This quickly became tedious, so we eliminated the bell. [14]

Even without the bell, the single line of sales info forcing its way onto our screens quickly became disruptive, so we changed to a little real time program anyone' could run on demand to check sales over any desired period of time. We still use that program and its successors today.

On the fulfillment side, we were immediately understaffed and every person in our company had to spend long hours each day packing and shipping books, in addition to doing their "real" jobs- The ware-house didn't even have proper packing tables, so we had to pack on the floor on hands and knees. Within a couple of weeks, we had properly sized packing tables, and I remember thinking, "Hey this is nice!" [15]

By Labor Day 1995, six weeks later, word had spread about Amazon.com on the Internet and Bezos moved the company to a 2,000-square-foot warehouse. There, ever conscious of keeping a tight lid on costs, Bezos designed a packing table for Amazon.com's particular book handling activities, and the company's staff then built numerous replicas in-house. Six months later, in March 1995, the firm's operations moved to a third home, a 17,000-square-foot building. And five months after that, by Thanksgiving Day 1996, the business had moved into its fourth and current home, a 45,000- square-foot warehouse located south of downtown Seattle. Reflecting this phenomenal growth—as the number of daily visits to Amazon.com site grew from 2,200 in December 1995 to approximately 80,000 in spring 1997—Amazon.com’s workforce grew four-fold over a seven-month period—from 33 employees in May 1996, to 100 in September 1996, to 160 in December 1996.

Unlike the traditional bookstores, Amazon.com kept a small inventory of books on hand—usually the best-selling items—and ordered books directly from book distributors or publishing houses when orders were placed by customers using its Web site. This business model, unlike that of brick-and-mortar booksellers, allowed Amazon.com to achieve inventory turns equivalent to 70 per year, as opposed to an industry average among traditional booksellers of approximately 2.7. At the same time, the lack of physical retail space eliminated the need for expensive furniture and sales people, and allowed Bezos to keep the "doors" open 24 hours a day. Initially, Bezos had been concerned about meeting the minimum order quantities that book distributors, required; most book distributors were unwilling to ship orders of less than ten books at the normal discount to channels.'[1] For orders of less than ten book?. Bezos had planned to reach the distributor's minimum by adding either fast-moving; or out-of-print titles. (He assumed fast-moving titles would be easy to sell, and out-of-print titles would be counted by the distributor toward the minimum quantity, but never shipped or charged. The nearly immediate demand from the market, however, made it possible for Amazon.com to do business with practically any national distributor without padding orders. [16]

By late 1996, customers from over 125 countries had purchased books from Amazon.com, ranging from U.S. Army soldiers in Bosnia to a cleric in Germany. Recalled Laurel canon, Manager of Operations and fulfillment:

The story I like to tell—the one that I really like because my degree is in English Literature—is that I remember a customer who wanted eight scholarly books on James Joyce's "finnegan's Wake" These were the kind of university press books that are cloth- bound and really nicely printed. High quality books—I'm not sure how good the scholarship was— but I'm guessing that there probably isn't a library in the country that had all eight of those books on hand. And here we are, the one source that has all eight. You don't have to go to the library; you can actually own them. I don't remember where the customer lived, but it wouldn't make much difference if the customer lived in New York City or if the customer lived in the farther reaches of Africa. The person can still order those eight books and gel them easily from us,

Despite its rapid revenue growth, similar to that of many Internet start-ups, Amazon.com was not yet profitable at year end 1996, showing a net loss of $ 5.5 million on net sales of $15.8 million for 1996. [17]

Value Proposition at Amazon.com

Bezos believed that convenience, selection, price. and customer service were the key elements of Amazon.com's value proposition for consumers buying books on the Internet. Even Bill Gates, Co-Founder. Chairman, and Chief Executive Officer of software powerhouse Microsoft, located Just miles away from Amazon.coms downtown headquarters, was a customer of the on-line bookseller, mentioning Amazon.com's convenience, selection, and service in an interview. Added Bezos:

Those are three of our four core value propositions; convenience, selection, .service. The only one Gates left out is price: we are the broadest discounters in the world in any product category. But maybe price isn't so important to Bill Gates. These value propositions are interrelated, and they all relate to the web. We have the widest selection because we operate in a virtual world. We discount because we have a lower cost structure than physical stores do. [18]

Convenience. Like many Web-based businesses, Amazon.com offered customers the opportunity to place orders at any time of the day, seven days a week. A visit to Amazon.com's home page—which could be downloaded easily and quickly because it lacked fancy graphics and java applications—provided customers with hyperlinks to several daily features that readers could browse; The Book of the Day, featured books, Hot This Week, and Titles in the News. Another feature, Amazon.com Notes, listed the birthdays of both noted and obscure authors, from horror writer Stephen King to Spanish essayist and novelist Angel Ganivet y Garcia, each day.

Selection. Visitors could browse through Amazon.com's 1.1 million title catalog by searching for a particular book by author, title, subject, or keyword. The entire inventory was seven times the inventory of the world's largest mega-bookstore and 30 times the size of an average mall bookstore- (However, several versions of the same title, such as hardcover and paperback editions, were counted as separate inventory items or stock-keeping units, making the actual number of unique titles smaller than the stated 1.1 million SKUs.) Observed Bezos:

For some books, like Tom Clancy's The Hunt For Red October, you might have something like 20 editions. You'll have the mass market paperback, the regular paperback, the hardcover edition, the large print edition, the unabridged audio hook, the abridged audio book. You'll have the music soundtrack on CD. You'll have the videotape of the movie. And we even have the Braille edition of the book for a best-selling book like that .[19]

This diversity of titles and SKUs translated into outstanding value for customers searching for less recognized titles. Far from winning business simply as a discounter, Amazon.com delivered customer value by streamlining the customers search and decision-making process. Noted Susan Stenberg, a California-based media executive and a frequent Amazon.com customer:

I was looking for a book that I wasn't able to find in Crown or Barnes & Noble and several of my colleagues recommended that I try Amazon.com. I tried it and found the book right away. After that, my first choice is to go through Amazon.com when I need a book, unless I'm already planning to go to a mall or other location with a bookstore immediately .[20]

There were 39 categories of books that visitors could "browse," ranging from Art and Architecture, to Mystery, to Romance, to Business. For both entertainment and promotional purposes, Amazon,com staffers compiled a weekly list of the 20 most obscure titles on order. Examples included such volumes as How to Start Your Own Country, Training Goldfish Using Dolphin Training Techniques, and Life Without Friends.

Judy Dugan, an editor at the Los Angeles Times, was a reluctant Amazon.com fan. What brought her into Amazon's customer franchise was this kind of broad selection: I first heard about Amazon.com through news reports, probably beginning in early 1996. At first I ignored Amazon, for two reasons: I like to handle a book, to flip through it, before buying, and I try as much as possible to support a local independent bookstore. However, my husband is sight-impaired and can read only large-print books. No bookstore in Los Angeles stocks a decent selection, so we decided to try Amazon. [21]

Price. Approximately one-third of Amazon,com's book inventory was available at 10% off suggested retail prices—virtually equivalent to the discount offered by the large bookstore chains. Bestsellers were available at 30% off. Noted Jennifer Cast, Acting Vice President of Marketing: We are actually the most discounted bookstore in the world. Of our one million titles, approximately 300,000 of them are discounted at 10%. And we discount bestsellers 30%. Any book reviewed by the New York Times is discounted 30%. And then we feature 100 or more titles that are discounted between 20% and 30%. Although customers living outside of Washington state did not pay sales taxes on books purchased through Amazon.com, they did pay service charges for shipping, which was usually S3.95 per order. The books were shipped through a variety of carriers, including two-day Priority Mail via the United States Postal Service, UPS Ground Service, or DHL. For an additional charge of $2 per order, Amazon,com also gift-wrapped books, and customers could use a Web page to select the wrapping paper they wished Amazon to use. "Price is a factor," said Stenberg, "the shipping charge is a bit high, but they discount their books. To me, the shipping charge is usually worth the convenience of not having to go to the bookstore and search for a book . [22]

Service. Customers wishing to order books for the First time from Amazon, com followed a simple 12-step procedure that involved providing name, mailing address, e-mail address, and credit card information. Customers then typed in a password so that future transactions would not require reentering this information unless the order was to be sent to a different address, Customers had the choice of transmitting their credit card information directly on-line or by telephone. An on-line profile of the book informed the site's users about inventory status. Most requests took two to three days to fulfill. Said Canan . [23]

We have an availability status for each book. There are different categories. The best availability is zero waiting, and that means that we actually have that book here, in house, right now at this time. Then we also have two to three day availability status, where we think we have good information about where we can source a particular book. And if we can get it from a distributor, then were saying two to three days. Then there's a one-to-three week category and a four-to-six week category. The one-to-three week category is from distributors on the east coast or those that are going to take a little bit longer to get to us. The four-to-six week category is special order items, requiring direct order with publishers. We're confident that we can't get such items from the distributors themselves.

Once an order was completed, customers received, on-line, an itemized list of the books ordered and their cost. Before the order could be finalized, the customer had to confirm the order twice while on-line. After an order went through, the customer received a subsequent e-mail confirming its receipt by Amazon.com. The e-mail listed the order number, the books ordered, the total price, the shipping method, the costumer’s shipping address, e-mail address, and phone number. Questions on a particular order could be e-mailed to orders to amazon.com . [24]

To Bezos, delivering the books ordered within the time frame promised was crucial to Amazon.com's reputation. He remarked:

Good customer service means that you order a book from us, we ship the book in the time-frame that we say we'll ship the book. If it's two or three days, then we should ship the book within two to three days. If we say four to six weeks, we should ship the book within four to six weeks. Likewise if you send us an e-mail message asking about your order, we ought to respond to that e-mail message in a reasonable period of time. Good customer service is fulfilling the promises you make to your customers. Bezos felt that this follow-through on customer service was more important in the digital world than in the traditional retail world, because of the increased impact of on-line communications: Customer service is probably the most important thing in retail, no matter what form the business takes. But on-line it's even more important than in the physical world. And the reason is that on-line, if you make a customer unhappy, they won't tell six friends, they'll tell six thousand friends—e-mail lists, newsgroups, and so on. People have a very powerful voice on-line, and you know that everybody can have a megaphone on-line. But on the other hand, if you do everything that you say you'll do, if you treat your customers well, .serve them in the ways you've promised, then you will have the opposite effect. You'll have powerful word of mouth from each of your customers. These guys will go on-line and tell people—not Just six friends but six thousand people—to "Come try Amazon, com. [25]

After an order was received by Amazon.com, the Order Department requested the books directly from distributors or publishing houses. The books were then sent to the Amazon.com warehouse for shipment to the customer.

When books arrived at Amazon's warehouse, staffers matched the customer'[1]? order with a packing slip and prepared it for shipping, while the bar code on the package's shipping label was scanned. Upon scanning, another e-mail went out to the customer notifying him or her that the order had been sent, with details confirming the carrier used and total price charged.

Customer Acquisition and Retention

During Amazon.com's first year in business, most of its on-line traffic was generated through word of mouth and press reports- Beginning in mid-1996%, Amazon.com placed ads on-line, using the home page's of Four Directory, Festival finder, com, and CNN Interactive, and in print media using publications such as The New York Times Book Review and The Los Angeles Book Review.

On-line advertising is very measurable. We have a weekly report which shows us how successful each on-line advertisement is for us, it shows how many people viewed the add, how many people clicked through to our home page, how many people made a purchase, and how much revenue was generated, With this we can eliminate ineffective ads or Web sites or compare the effectiveness of two on-line ads on the same Web page. Amazon.com used another tactic to generate traffic in its Associates program, which represented an attempt to gain leverage from the formation of "communities of interest" on the Internet.[111] Associates referred prospective book-buying customers to Amazon.com's home page from their personal home pages, through hyper-links; for these referrals, Associates received commissions of 8% on any books subsequently sold on click- through from their home pages. Cast estimated that Amazon, com had signed on more than 5,000 Associates by year-end 1996 .[26]

What are the areas where physical bookstores have an advantage over Amazon.com? At the very beginning,18 months ago when we launched, we had only bare bones bibliographical information. It was author, title, publisher, and publication date. And now we have 170,000 titles with at least a synopsis, some third-party reviews, and [some of our own reviews]. In the future, we will have the texts of first chapters, pictures, tables of contents, excerpts, and cover art for all million books. Ultimately, we can offer much more information about a book on-line than you could ever offer in a physical store. What is a disadvantage for us now will become an advantage. We could have five third-party reviews for each and every book in our catalogue; in a physical bookstore, it's hard to organize reviews, let alone make them available to customers.

In addition to value-added content, Bezos wanted to make Amazon.com a highly entertaining place to visit just as the major bricks-and-mortar chains used super bookstores to create entertainment experiences in their retail spaces. Bezos focused on doing this by constantly refining the site's customer interfaces. As he observed :

Approximately 44% of customers who had ordered a book from Amazon.com became repeat purchasers- Cast believed that Amazon,com was not cannibalizing demand for books sold in physical bookstores. Rather, she believed that customers were simply expanding their reading lists:

Customer Acquisition

In the area of customer acquisition, Amazon.com took the lead- To drive traffic to its Web site, the start-up entered into strategic alliances with major on-line partners to increase brand awareness and build traffic among potential on-line customers Amazon. com's partnership agreements included five of the six most-visited sites on the Web: AOL, Yahool, Excite, Netscape, and Geo Cities. 27

Reinforcing this initiative, Amazon.com entered into a three-year co-branding agreement, concluded on July 7, 1997, as the exclusive bookseller for AOL's Web site (www.aol.com) and AOL's Net Search Engine in a deal valued at $ l9 million. On July 8, for undisclosed amounts, similar agreements were reached with Yahoo: and Excite, the two most widely used Internet search engines in the United States, with an average of 18 million and 1 million unique users a month, respectively [17].

Associates/Affiliate Program.

Another tactic Amazon.com pioneered to drive traffic to its Web site was its Associates program, launched in July 1996, Under this program, any Web site, such as a persona] home page, could become an "associate" and embed links to Amazon.com. If a link resulted in a book's sale, the associate received a 15% commission—it was originally 8% through June 1997—calculated based on the sale price. In September 1997, Barnes & Noble established a similar program, which it called its affiliates program, offering 7% commissions on all books sold when a visitor arrived by
click-through from an affiliate site. To capitalize on the booksellers relationship with Fortune 500 companies, Barnes & Noble also announced the creation of its Affiliates Network—a lineup of 40 major commercial Web sites that would act as Barnes and Noble.com resellers, including CNN Interactive (www.cnn.com'), the Los Angeles Times (www.latimes.com). and ZiffDavis'sZDNet (www.ZDNet.com). In response, Amazon.com announced on September 8, 1997, that it was increasing commissions on hooks sold through its top 500 PC Meter Associates from 5% to 22.5% for the ensuing six months. At year-end 1997, Amazon..com had over IS,00(1 affiliates, an increase of 200% over the 5,000 Associates at year-end 1996, while Barnes [1 8] and Noble.com had over 1,300 affiliates

Personalization.

The development of one-to-one relationships with Web customers was another tactic that Amazon.com employed to acquire and retain customers. Unlike the physical world, where retail "location" was considered a key driver of sales, Bezos believed that in the virtual world "one-to-one" marketing was the critical factor."[1]" to that end, Amzon.com used its "Eyes" and" Editors" services to notify customers by e-mail and book availability according to topic categories pre-selected by customers. To fight back. Barnes and Noble.com announced a licensing relationship with Firefly Network, a software company based in Cambridge, Massachusetts, that sold collaborative filtering technology. Collaborative filtering employed intelligent software agents to generate recommendations in categories such as books and music, by communication across multiple agents within a database that carried different selections but displayed similar preference profiles. In response, Amazon.com created an on-line "Recommendation Center" in September 1997 to furnish personalized recommendations for visitors to the Amzon.com site. One feature of the Recommendation center, "Instant Recommendation," automatically provided individual customers with a personalized list of suggested titles to buy based on a customer's purchase history with Amazon.com as well as those of other customers with similar profiles . Another feature, "Book Matcher," made book recommendations based on the profile of individuals with similar preferences, using software developed by

Minneapolis-based Net Perceptions, First link' users of Book Matcher recorded book preferences in four categories—Popular Fiction, Science Fiction and Fantasy, Mystery and Suspense, and Classic Literature in order to tap into the value of the service.

Navigation.

In March 1997, Amazon.com redesigned its home page to make it more user friendly in response to feedback from users. The redesign of Amazon.com's home page departmentalized customer activities A second redesign of the on-line bookseller's home page appeared in September 1997 a new service offered returning customers the option of using one-click technology to order books on-line as well as access features in the Recommendation Center. Barnes and Noble. com was rumored to be planning a major site redesign for completion in spring 1998

Conclusion

The highly integrated management systems at Amazon.com had already enabled its customers to search for books and receive e-mail notification of upcoming titles. These systems, Bezos believed, would ultimately allow Amazon.com to provide each customer with his or her own "customized" bookstore. In the longer term, he was certain that this would prove to be the key competitive advantage over present and future competitors—including the large, well-funded, national bookstore chains. His programmers had created the entire system in-house, rather than seeking a ready-made or shrink-wrapped solution. Noted Bezos:

We've been working on our IT systems for two-and-a-half years. It is now a big advantage. It was a huge amount of work. There is simply no of-the-.shelf inventory control system [hat can do what our system does. We have five different availability categories. Things can be in stock, and usually shipped within 24hours. They can be shipped within two to three days. They can ship in one or two weeks. They can ship in four to six weeks. And they can be not yet published, and shipped when available. That's an example of a complicated factor. Our system has to support tracking and control of more than a million different items. And it is fully integrated with all of the various e-mail messages we send to customers.

Still, despite the enormous amount of attention Amazon.com had received during 1996 and the high levels of user satisfaction and loyalty, Bezos did not believe his new Web retailer represented a threat to traditional bookstores:

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Barnes & Noble Analysis

The predecessor retail bookseller, which became Barnes & Noble in !917, began operations in 1873 in Wheaton, Illinois. The landmark Barnes & Noble bookstore at the corner of Fifth Avenue and East 18 Street in Manhattan opened its doors in 1932, and was sold several decades later in 1971 to Leonard Riggio. Riggio, who had begun his bookselling career as a clerk at New York University's bookstore in the 1960, founded the independent Student Book exchange (SBX) in Greenwich Village in 1965 with a focus on staff, selection, and service. With the acquisition of the Barnes & Noble store six years later, Riggio quickly expanded the store's selection to more than 150,000 titles—billing it as the "World's Largest Bookstore"—the Manhattan -based bookstore included complete departments in medical, engineering and technical books, which made it a model for his company's future hook superstores. Bv the early 1980s, Barnes & Noble had book superstores in New York City and Boston and, by 1987, it had begun testing the book superstore concept in suburban markets.

By year-end 1997, Barnes & Noble had 484 superstores in the United States and was opening new stores at a rate of 70 a year. Rival Borders Inc. had over 200. For many communities, the book superstores—Barnes & Noble, Bookstar (also owned by Barnes & Noble), and Borders—had become neighborhood community centers. Superstores sold, in addition to books, magazines, books-on-tape, and multimedia software and games. The inventory was complemented by comfortable reading areas, in-store cafes, and periodic literary talks and author book signings for a copy of a monthly store newsletter). The average Barnes & Noble superstore Was approximately 30,000 square feet more than triple the size of an average mall bookstore—and had an average of 128,000) book titles, Each superstore with average sales of $3 million to $4 million (or 120,000 to 160.000 transactions) annually—customized inventory based on individual store sales patterns and consumer demand. Barnes & Noble held 400,000 of the 1.5 million in-print titles in its warehouses. Customers could expect to receive, in less than seven days, shipment to a local store on any of these titles. Stephen Johnson, a newspaper executive in Ohio, explained why he liked to visit weekly.

The selection, the customer service, and the ambiance makes Barnes & Noble an ideal place to visit. You can wander through its books and magazines, sit down with a cup of coffee, and be free of any time constraints. I find Barnes & Noble's casual atmosphere to be a stress-reliever, I try to visit the book superstores as often as I can to see what's new.

In addition to large selection, another attraction bringing customers into Barnes & Noble superstores was price discounting on hard covers and bestsellers. For example, all hardcover books were discounted 10% off suggested retail prices; all bestsellers on the current list of The New York Times Book Review were 30% off; and all bestselling paperbacks on The Times' list were 20% off.

Barnes & Noble also sold books through a direct mail channel, where in customers could order a selection of discounted reference, historical, and self-help books from a catalog. The catalog was sent monthly to targeted buyers and provided a 24-hour toll- free line (1-800-The Book). Many of the items available through this channel included out-of-print books and publishers' overstocks. In-stock books ordered from the catalog were shipped from a New Jersey warehouse with-in two to seven days. Analysts estimated annual sales from the catalog at $22 million . [28]

Background of Barnes and Noble @ AOL and Barnes and Noble.com

Under its subsidiary, Barnes and Noble.com, Barnes & Noble entered the on-line book retailing market in early 1997. The giant bookseller's first venture into electronic commerce began in mid-March 1997, when it established a bookselling site on America Online (AOL/key-word: barnesandnoble), almost two years after Amazon.com and Book Stacks first opened for business on the Web. At year-end 1996, AOL. had over seven million members worldwide which made it the largest on-line service in the world; members could access the Internet, send e-mail, or review branded content, such as The New York Times, George Magazine, and MTV. Under Barnes & Noble's initial agreement with AOL, the bookselling giant became the exclusive book-seller in AOL's Marketplace, a cybermall for AOL members to shop on-line with many well-known retailers, including Tower Records, The Sharper Image, Starbucks, Hammacher Schlemmer, and The Disney Store, Steve Riggio believed that his company's relationship with AOL would generate prospective customers who might not otherwise shop on-line:

Barnes & Noble's long history and substantial experience as booksellers, coupled with innovations in technology, will enable us to make a quantum leap beyond the current level of on-line selling. We believe that our relationship with AOL, will expand our book market and ultimately bring in millions of new customers who prefer to shop on-line.

Leonard Riggio, chairman and CEO of Barnes & Noble and Steve Riggio's older brother, believed that AOL provided the giant bookseller with an opportunity to gain market share at the expense of other on-line booksellers. Noted Leonard Riggio prior to the launch of the Barnes & Noble site:

America Online is the perfect partner for our entry into this business- We intend to dominate the on-line book business with service, selection, and technology, and our exclusive access to AOL's base of seven million members provides us with a means to capture market share immediately .[29]

Two months after the debut of its site on AOL, in May 1997, Barnes & Noble launched its second on-line venture with a site on the Web www.Barnes and Noble.com) Two years earlier, in 1995, Barnes & Noble had launched an

Internet site (www.loci.com) for College Bookstores, an affiliated company privately owned by the Riggio family. The College Bookstore site provided Barnes & Noble with experience in how to establish, run, and host a commercial Web site by providing college students with a place to chat on-line and order college apparel, posters, and magazines. [30]

John Kristie, Vice President of Information Technology for Barnes and Noble'.com, recalled that the development of the on-line subsidiary also benefited from improvements to the information systems supporting Barnes & Noble's physical bookstores, especially those focused on improving in-store search capabilities and real-time inventory checks. Noted Kristie:

A lot of the original Web work came out of store systems. For example, we had a project to expand our database and consolidate multiple products within the stores. Right now, the stores have search capabilities on products, and next to that terminal they also have a "books in print" search tool, which is on a separate PC. It wasn't as comprehensive as we wanted it to be. So one of the goals of the store system was to integrate a title database, so that the bookseller would have a vast amount of information available on its inventory. That's what we tried to do on the Web by creating a powerful database and search engine. The project started six to nine months before the Web project in creating this highly searchable book database for booksellers. We were also working on a shopping system that would allow us to communicate electronically with wholesalers in a real-time mode—much like a credit card transaction—so we could confirm the availability of product as opposed to the normal method of "I'll get back to you."

Steve Riggio believed that sales made through Barnes & Noble's virtual stores on AOL and the Web complemented sales at the bookseller's physical bookstores. He also felt that physical book superstores and a national advertising campaign would help build brand awareness for the site. Noted Riggio; I think the Web site is complementary in its incremental sales. We have an existing asset—our brand name and stores—that we leverage. We do $15 million of national advertising- If you pick up The New York Times, The Wall.Street Journal, The New Yorker, or Entertainment Weekly, the Web address rides free in these publications. We launched our America Online site in March and our Web site in May. The compounding effect of all that advertising over the next year, we believe, is going to be quite substantial as the Web site becomes ingrained in people's minds.

We will continue to open up 75 to 80 super stores a year, We see 300 to 400 Barnes & Noble stores opening up over the next several years. We see tremendous growth opportunity in retail, and we are going forward with that. We see opportunity on-line, and we are going forward with that as well. We believe our on-line business has an opportunity to add incremental sales to our company. [31]

Since March, the pace of the on-line battle between Amazon.com and Barnes and Noble, com had intensified on several competitive dimensions: service, pricing, customer acquisition, community, and personalization. For I998, Barnes and NobIe.com expected to achieve revenue over $100 million, up from $14 million projected for 1997. Despite names & Noble's late entry into the on-line marketplace, Carl Rosendorf, Vice President of New Business Development, believed that the bookseller was now setting the standard for the on- line bookselling industry: We've only been live since May 1997, but we have led this industry since that time, maybe not in sales, but in terms of pricing and service. Let's talk about pricing. The model for Amazon.com was basically a 10% [discount] model. When we came into the market-place in May, we came in with discounts of 20% and 30%—20% off paperbacks and 30% off hardbacks. So we set the standard for pricing in this business and our model was the right model, and that's why the competition has matched it. Then, in terms of delivery, we staled from the beginning that we' were going to be working toward same-day shipping books shipped the same day ordered and we were building our own warehouse. That warehouse opened up in October 1997. [32]

The fast-paced battle with Amazon.com and the prospective entry by Borders, com, placed heavy demands on Barnes and Noble,com's 40-members- technology staff. Observed Kristie: There are two key challenges in developing an on-line commerce site. One is the tactical nature of producing a site as large as ours. The other, more strategic in nature, is trying to expand the direction of the site, while everyone is still very focused on what we just put out. We launched a site in March- We launched a site in May. Then we re-did the entire technology infrastructure for the site in September. So we have done three significant launches in a very short period of time, yet we have some concrete ideas about the site and where we want to go.

Establishing the Barnes and Noble.com

Service.

On-line customers interested in ordering books from Barnes and Noble, com could search for them by author, title, category, or keyword. A "Fast Delivery" icon on the Search Results page indicated which books were ready for shipment in two to three days from a Barnes & Noble warehouse in Dayton, New Jersey. Over 500,000 (50%) of Barnes & Nobles in-stock titles, were available for fast delivery or ready for shipment in two to three days Many of these books were shipped to the Dayton location from a central ware-house—where book publishers shipped titles directly to the bookseller, bypassing book distributors—owned by the bookseller in nearby Jamesburg. New Jersey. The Jamesburg facility also served Barnes & Noble superstores. Steve Riggio believed that Barnes & Noble's extensive and long-established backroom operations in book distribution provided a key competitive advantage:

Without question, one of the principal assets we bring to the cable is the fact that we are extremely good at book distribution, whether it be to our stores or to our customers, whether they be domestic or international, and whether they buy by phone, mail, or the Internet. By the fall of 1997, our 350.000 square foot distribution center will have 90 percent of the books we believe people are going to be buying on-line.

So it's a core competency that we know how to do this. It's a core competency that we already have existing relationships with 20,000 publishers. It's a core competency that we have the infrastructure to know how to do business with all these folks and all the back-end apparatus of paying publishers, systems, and the like. It's all there. The Internet company plugs into it. .As a result, our on-line company has been able to hit the ground running without having to invest the extraordinary sums that startups would need to in such an operation.

After placing selections in an electronic shopping cart, on-line customers had a choice of three different shipping options for delivery in the United States: standard, second-day air, and next-day air. With standard delivery, books were usually delivered within four to seven business days at a cost of $3 per shipment and 95 cents per book. With second-day air, books were delivered in two to three business days at a cost of $6 per-shipment plus $1.95 per book. With next-day air, books were shipped within one or two business days, at a cost of $8 per shipment plus £2.95 per book. An e-mail from Barnes & Noble confirmed the receipt of an order. A second e-mail confirmed the shipment of an order. On average, on-line consumers ordered 3.3 books from BarnesandNoble.com in each sales transaction.

Pricing.

Book prices at BarnesandNoble.com were usually lower than those found in its physical bookstores. When purchasing books from Barnes & Noble on-line, several of the bestseller hardcover titles were discounted at 40% off'. Most of its remaining in-stock hardcover books were available at 30% off the suggested retail price—triple the discount available on all non-bestselling hardback books purchased in a Barnes & Noble physical bookstore. In addition, every in-stock paperback book was available at 20% off when purchased on-line, while all non-bestselling paperbacks were normally sold at list prices in stores. Bargain books, beginning in November 1997, were available at 88% off list price. Amazon.com, however, had matched BarnesandNoble.com's pricing policy on hard-cover, paperback, and individual books for price comparisons across BarnesandNoble.com, Amazon.com, Barnes & Noble, and Borders).

Steve Riggio believed that the differences in discounts for on-line customers and those available for retail store shoppers were justified on the basis of competition with other on-line booksellers and lower distribution costs: Our on-line pricing is a function of our commitment to compete effectively in the electronic marketplace, and this requires compelling prices. The economics of on-line retailing are very different from those of store retailing—on-line customers complete their own transactions and therefore not only expect to receive, but are entitled to receive, direct-from-warehouse pricing.

Despite differences in pricing policy between on-line as opposed to physical store purchases, Steve Riggio believed that most on-line sales would be incremental-not cannibalization of physical stores, as some critics charged. Explained Riggio:

First, we do not have a Barnes & Noble Store in every community in America, nor will we have a store in every community in America over the next five years. There are just too many places where people can't get to a bookstore with a big selection. Our Internet initiative is a way to bring our bookstore to the desktops of potential customers. And because Barnes & Noble has such national brand recognition—it's a name people know and trust—people will buy from us- We are already experiencing that. Second, there are many people today who do not have the time or the affinity to shop retail. The Internet is a way for them to reach us. Third, our international business, or sales of English-language books abroad, is untapped- It's an explosive area for growth. Finally, we believe the concept of having an on-line bookstore on your desktop will cause an explosion of interest in books. [33]

Customer Acquisition.

An area where Barnes and Noble, com and Amazon.com competed fiercely throughout 1997 was in signing up affiliate—or third party—Web sites to drive traffic to their respective storefronts and acquire new customers. The first of these co-branding agreements in May 1997 made by BarnesandNoble.com was with The New York Times Electronic Media Company, where visitors to the Book Review section of The New York Times on the Web could purchase almost any book noted on the site—from past and current book reviews—directly from BarnesandNoble.com. For referring on-line customers lo Barnes & Noble, The .New York Times received a commission on each book sold. "The reason I chose to partner with BarnesandNobIe.com," explained Martin Nisenholtz, president of The New York Times Electronic Media Company, "was that it had a great brand name, was based in New York City, and was a major customer of our newspaper on the print side.

Building brand awareness on-line was the driving factor behind these co-branding agreements. According to a November 1997 survey concluded by PC Meter, Amazon.com was the top Web shopping site among all Web users, with a reach of 5.7%—a four-fold increase from a reach of 1.4% in October 1996—among active Web users using a personal computer at home. Among those accessing the Web at work, Amazon.com's rating was 8,6%.

By comparison, BarnesandNoble.com had a monthly rating for December 1997 of 2.6% at home—six times that from its first month of operation—and 3.1% at work.

In September 1997, BarnesandNoble-com expanded the concept of driving traffic through well-known commercial sites with the launch of its Affiliates Network. The Network involved 40 of the most popular sites on the Web, including CNN Interactive (www.cnn.com), the Los Angeles Times (www.latimes.com), and Ziff Davis' ZDNet (www.zdnet.com}.

Affiliates received commissions of up to seven percent on books sold to on-line customers coming through their sites to BarnesandNoble-com. Each affiliate network member provided a link from its site to BamesandNoble.com for easy click-troughs.

In addition, like Amazon.com's Associates program, individual or non-commercial Web sites could join BarnesandNoble.com's Affiliate Network and receive commissions. Unlike Amazon.com's program, however, Barnes and Noble, com paid commissions on all books purchased by customers referred on-line to its site, not just on specific title- and provided updated sales information within 24 hours to all affiliates through a designated Extranet.

In December 1997, BarnesandNoble.com entered into a four-year, $40 million co-branding agreement with AOL to become the exclusive bookseller throughout the commercial on-line service excluding AOL.com and AOL Net Search which had already become exclusive domains of Amazon.com. Under terms of the agreement, AOL, with over ten million members at year-end 1997, agreed to promote BarnesandNoble.com in areas throughout the on-line service and integrate the bookseller with the AOL Greenhouse sites. Digital Cities, and AOL, International.

A month later, at the end of January 1998, Barnes & Noble also announced that it would expand its Affiliates program to include non-profit organizations through the Book Benefit Network. With the sponsorship of American Express, the financial services company that had pioneered "cause marketing" through its "Give for Hunger" program, BarnesandNoble.com agreed to donate up to seven percent on book sales generated through non-profit organizations' sites. Among the first non-profits to Join the Affiliates Network were international relief agency CARE (www.care.org) and the United Nations Children Fund (www.unicef.org) [5].

Community .

The Barnes & Noble home page on the Web represented an attempt to provide on-line customers with a sense of community similar to that found in a physical Barnes & Noble superstore. The familiar italicized logo headlined the top of each screen in the company's colors of green and gold with the slogan, "World's Largest bookseller Online."

A column on the left side of the screen provided on-line customers with a directory of the virtual bookstore—indicating where visitors could search for books, join in on-line book discussion, obtain personalized book recommendations, and search for features in 19 different book categories, ranging from "Biography" to "History" to "Travel" The rest of the home page was devoted to promoting special events on the BarnesandNoble.com site—a schedule of upcoming live chats with best-selling authors, on-line interviews with various writers, and excerpts from the hottest-selling books.

Personalization.

An on-line customer at the BarnesandNoble.com bookstore had the option of registering as a member or simply browsing the unrestricted areas of the site as a non-member. Member registration was accomplished through response to seven simple requests: choose an alias name, select a password, provide an e-mail address, and answer questions on country of residence, zip code, date of birth, and gender. Members were then provided, without charge, the benefits of receiving personalized book recommendations and being able to post messages on the site's Book Forum bulletin boards.

An on-line customer who chose not to register as a member was still able to shop for books on the site but could not access any of BarnesandNoble.com's personalization services.

On the site's bulletin boards, which ranged from "The Bible as Literature" to "Tolkien" to "History Lovers" to "Alternate Endings, members could post reviews of books, participate in book discussions, or read reviews written by other BarnesandNoble.com "Press Release, "Barnes & Noble Takes Books 'Off the Shelf and Puts Them Into Your Hands," Barnes & Noble, Inc., September 3,1997. members. A sampling of a book review submitted on Walter Moslev's book, Gone Fishin, in the book Forum on "Contemporary Black Male Writers.

Members also received personalized book recommendations. using collaborative filtering technology licensed from Firefly Network, Inc., a Cambridge, Massachusetts-based software company, BarnesandNoble-.com could recommend books to its members based on preferences of other readers with similar interests. Customers interested in using this personalized service were first asked to complete an on-line survey rating a list of books within a specific subject category on a scale of one to seven Books purchased by individuals with similar profiles, based on survey ratings, became new book recommendations ftor the customer- "One of our goals," said Yablon, who was previously Vice President of Content and New Business Development at AOL's Greenhouse Networks, "is to use one-to-one marketing and create the personal bookstore for the customer. [6] "

Mr. Books Analysis

9.1 Ansoff's Matrix

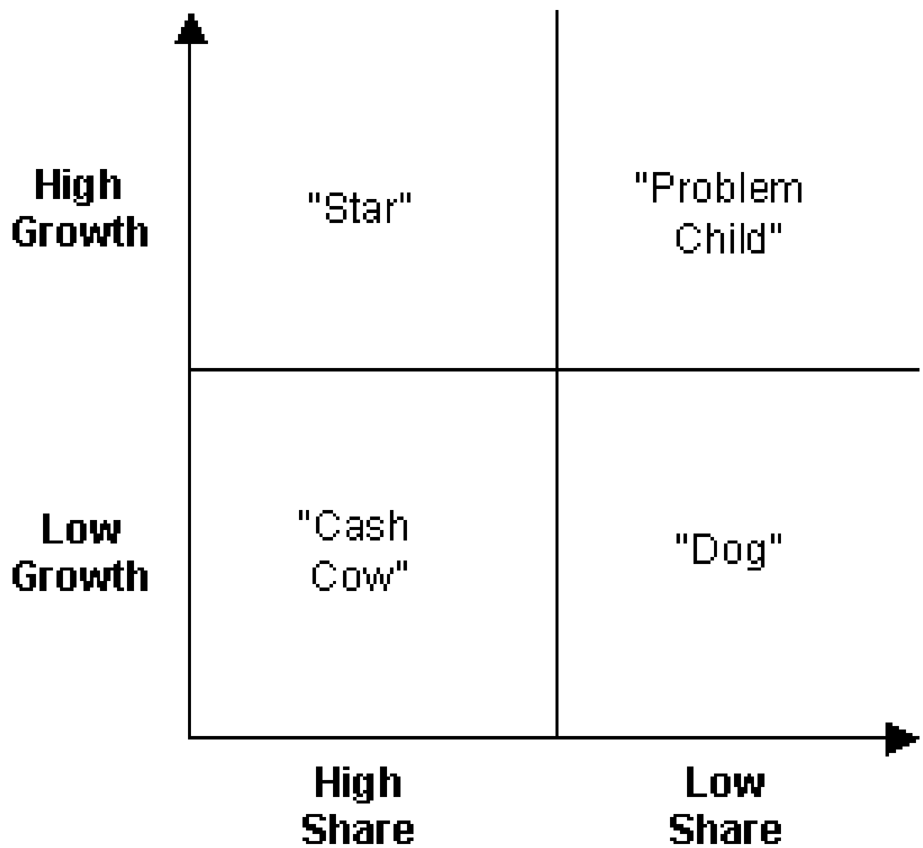
In the Asnoff's Matrix the FASION seeks the market development strategy. We will

Product / Market	Present	New
Present	Market Penetration	Product Development
New	Market Development	Diversification

Use Asnoff's Matrix because we have objectives for growth. This means that the product remains the same, but it is marketed to a new audience.

9.2 BCG Matrix

To ensure long-term value creation, a company should have a portfolio of products that contains both high-growth products in need of cash inputs and low-growth products that generate a lot of cash. It has 2 dimensions: market share and market growth. The basic idea behind it is that the bigger the market share a product has or the faster the product's market grows the better it is for the company.


High
Growth
"Star"
"Problem
Child"
Low
Growth
"Cash
Cow"
"Dog"
High
Share
Low
Share

9.2.1 The Respective BCG Position

No.	Brands	The Respective BCG Position
1	**B & N**	☆
2	**Amazon**	☆
3	**Mr. Books**	**?**

As the market growth rate is high so the upper two quadrants occupy all brands in this category. In the star category big two circles represent B & N and Amazon respectively. It is supposed that over time Mr. Books will shift towards the star quadrant because the market changes will support the company. This change will also be supported by the heavy investments in the marketing and promotional activities.

9.3 Extended Marketing Mix 7-Ps

The 7-Ps or Extended Marketing Mix of Booms and Bitner is a Marketing Strategy tool that expands the number of controllable variables from the four in the original Marketing Mix Model to seven. The traditional Marketing Mix model was primarily directed and useful for tangible products. The 7-Ps model is more useful for services industries and arguably also for knowledge-intensive environments.

Booms and Bitner's expanded the marketing mix by adding the 3 additional P's. Those additional P’s are as follows:

9.3.1 People: All people directly or indirectly involved in the consumption of a service are an important part of the extended marketing mix. Knowledge Workers, Employees, Management and other Consumers often add significant value to the total product or service offering. As for as the workers of the Mr. Books are concerned, they are the best in the world. They have all the necessary skills and knowledge to make offerings world class.

9.3.2 Process: Procedure, mechanisms and flow of activities by which services are consumed (customer management processes) are an essential element of the marketing strategy. The company has tries its best make to make its processes more efficient and effective as compared to the existing rivals in the market. The efficiency in the processes will also play an important role in the Mass Market strategy of the company. The company will also try to implement JIT concept in its true perspective to save the money, lowering the cost and offering customers the best services.

9.3.3 Physical Evidence: The ability and environment in which the service is delivered, both tangible goods that help to communicate and perform the service and intangible experience of existing customers and the ability of the business to relay that customer satisfaction to potential customers.

The first two additional Ps are explicit (People, Process) and the third one (Physical Evidence) is an implicit factor.

9.3.4 Positioning the Brand positioning deals with consistent transferring of the brand image into the consumer's mind creating brand perception. Rarely does the company's brand image mirror the consumer's brand perception. Transferring a perfect image is very difficult because external interference clutters or warps the perception. Positioning

- is a conscious effort to decide your niche in the marketplace
- It has many aspects
- At its best it is a multi-faceted approach to product features, price, image, competitive position, market channels, and other things

The product positioning should focus on the determinant attributes which are solid and describes the product well enough or have justifiable importance to the target customer and audiences.

Perceptual maps are the best tool to visualize the differences between various competing brand on different attributes and help in determining the position of a particular brand.

9.4 Website

Mr. Books launched its website in July 2003. The expertise was provided by Brain Net Solution Pakistan. The website contains necessary information and order taking facility only. The technology used was ASP (Active Server Pages). This technology does not allow greater flexibility and hence the website is not very dynamic and user friendly. However it has the potential of enormous growth as Mr. Books is the pioneer in web site development in book industry in Pakistan. The customer vendor relationship that is most critical in the online book business in all over the world which is not present in the present website. However the researcher strongly feels that Mr. Books greatly needs to improve and enhance some feature on the website and at the same time add more features and interactivity in the website to make it more attractive for the customers.

9.5 Technical expertise

When asked from Mr. Books about their technical skills in the area of web site development and customer relationship management through websites, they were totally unaware about modern concepts. Technical expertise is not in their hands. Currently there is only one individual who is responsible for all the operation regarding the website and online presence. The individual is a diploma holder in the Information technology field which is not sufficient to operate in the very technical atmosphere of an online business. When asked they said that the technical expertise are also not available even in the market of Islamabad and Rawalpindi which is the sheer proof of their ignorance about the modern online development concepts. In reality there are many well developed software houses and web development houses that have the capability to transform the operation of Mr. Books on the internet successfully.

9.6 Inventory Management System

Mr. Books is a big inventory holder store in the Islamabad market. They currently have more than one hundred thousand titles in their inventory. Surprisingly they are still following a traditional inventory management system where individuals are making entries in the paper registers which are subjected to errors and omissions and cumbersome. To complement an online business (website) a computerized inventory management system is extremely essential. Due to lack of expertise in the field of IT and computing, HR, and absence of modern software Mr. Books has failed to capitalize and benefit from online business opportunities.

9.7 Publishing partners

Mr. Books have collaborations with publisher of high repute in all over the world. In Pakistan it has partners like:

- **SANG-E-MEEL Publishers Lahore**
- **ALHAMRA Publishers Lahore**
- **DOST Publishers Lahore**
- **JANG Publications Lahore**
- **FEROZ SONS Publishers Lahore**
- **Oxford University Press Karachi**

In UK

- **Simon & Schuster**
- **Harper Collins**
- **John Wiley**

In United States

- **Z-Press**
- **Springer**

- **Taylor and Francis**
- **Random House**
- **Penguin**
- **McGraw Hill Publishers**
- **Lonely Planet**

This shows how good relations Mr. Books enjoy with its partners all over the world. However one important consideration is the procurement time of books from foreign as well as local publishers.

Within Country: Books are procured from publishers within two to three days by road. However books availability is guaranteed within twenty four hours using express ways (By Air).

From UK: Books are procured within one month by sea and three to four days by air.

From USA: Similarly from USA it takes more than two months to procure books by sea and four to five days by air.

Mr. Books has great leverage from publishers to procure any quantity of books any time with discounts and rebates as high as 40-55%. Mr. Books also procure books from www.BarnesandNobel.Com and www.Amazon.com. This provides loads of opportunity to Mr. Books to place order of any title in any number at any time. Furthermore, this means the number of titles available to Mr. books increases beyond one million without holding any physical inventory.

9.8 Distribution System

One critical point in the online retailing of hard products is the appropriate distribution system. In online businesses if the distribution system is efficient and cost saving it will play a role in the firm's success but at the contrary if the online business is facing difficulties in distribution it is ultimately destined to failure? Two important considerations in the distribution are efficiency (Time saving) and effectiveness (Cost savings). Mr. Books currently has two distributors in Pakistan including OCS and PDHS

(Parcel and Document Handling Service). So for these partners are doing well. They distribute free of cost within the country and charge a percentage of book's price while shipping it outside the country.

9.9 Payment Mechanism

Perhaps the biggest problem Mr. Books is facing in online trading is the Payment Mechanisms. Mr. Books has tried to collaborate almost all major banks of Pakistan and they are not willing to help Mr. Books set a good payment mechanism. This is the point of view of Mr. Books. However our research found that Mr. Books has weak commitment with online business as all major banks of Pakistan are now offering good payment mechanisms. Similarly many pure play companies in Pakistan are doing online business and retailing. For example www.urdupoint.com , www.nirala.com, www.pakwatan.com and many others. This shows that good payment mechanisms are quite possible to practice even in the environment of Pakistan. Reason being that all these companies are doing online business with Credit Cards, Visa Cards and other close to traditional (like money order) payment mechanisms.

9.10 Marketing Management

9.10.1 Product Type

Books come under shopping goods type because it is purchased frequently but readers take time and effort to review a book and then purchase it. In case of Mr. Books it provides books of almost all categories ranging from medical, engineering, general science, text books and fiction (literature). Moreover it sells journals, digests and magazines from all spheres which make Mr. Books a comprehensive brick and mortar book retailer. Currently it has more than hundred thousand titles physically available but due to lack of vision the number of titles could not be utilized properly.

9.10.2 Product Nature

Books are hard and standardized products and they are not usually subjected to damage while distributing etc The products are simple but require demonstration and book reviews to make the reader aware of the type and contents of the book. The website shows only book reviews of current titles and does not provide synopsis of all the titles in the inventory.

9.10.3 Bulk Breaking

Books are usually purchased in one or two units. They are not the mass products and it does not relate to only a particular group of consumers. However big libraries and foreign orders purchase books in big quantities and hence here comes the concept of bulk breaking while consideration the supply chain of the business.

9.11 Advertisement

In this highly competitive business world no one can deny the importance of Advertising. Mr. Books has virtually no advertising programs offline and online. The only advertising mode utilized is direct mailing to thirty five libraries within the country. Where customers are provided with a list of new arrivals and subsequently the orders are taken either through emails or traditional mail channels. Mr. Books advertising strategies is devoid of any modern advertising tool available keeping the limited resources like, guerilla marketing, affiliate program, ads in the newspaper, magazines like spider, herald, newsline and so on. Moreover a relationship with universities, colleges and schools can greatly enhance the awareness about the brand. Distribution of leaflets through newpaper hawkers is another cost effective mode that can be exploited and bring great benefits for the organization.

9.11.1 Associates/Affiliate Program

All the big online book retailers are emphasizing affiliate programs. Amazon has very strong relationships with its partners. Similarly to capitalize on the booksellers relationship with Fortune 500 companies, Barnes & Noble also announced the creation of its Affiliates Network—a lineup of 40 major commercial Web sites that would act as Barnes and Noble.com resellers, including CNN Interactive (www.cnn.com'), the Los Angeles Times (www.latimes.com). and ZiffDavis'sZDNet (wvw.ZDNet.com). In response, Amazon.com announced on September 8, 1997, that it was increasing commissions on hooks sold through its top 500 PC Meter Associates from 5% to 22.5% for the ensuing six months. At year-end 1997, Amazon..com had over IS,00(1 affiliates, an increase of 200% over the 5,000 Associates at year-end 1996, while Barnes [1 8] and Noble.com had over 1,300 affiliates Similarly Mr. Books should also focus on these kinds of affiliate programs to generate more awareness about its brand and increase traffic to its website.

Recommendations

10.1 Procurement of Inventory Management System

The growing business of Mr. Books requires an affordable, integrated software solution that enables scalable, reliable processes for warehouse and inventory management. That solution is **SAP Business One**. With SAP Business One, you can leverage features and functions for:

- Item management and queries
- Price lists and special pricing
- General receipt and release from stock
- Multi-warehouse transfers
- Stock transactions

10.1.1 Why Consider SAP?

SAP's is the world's leading provider of business software solutions. Yet with 1.2 million users and nearly 80,000 installations, SAP solutions mean far more than software. SAP leverages the best practices that will help your company meet its business objectives today -- and for years to come

Custom designed inventory management system helped Transform Company from small mail-order operation to dominant retailer of books.
On average 60% of orders received contain mistakes and salespeople spend 40% of time fixing problems instead of selling.

10.2 Value Stream Management

Value stream management is the continuous process of evaluating the "value" we provide to our customers. Value stream management consists of constant listening to the voice of the customer, finding new ways to make customers see us as an on-time provider of best-in-class services. It is the creation and evaluation of metrics that impact the quality, timeliness, effectiveness, and efficiency of the value we provide. It is managing our business with facts and best quality in mind. Value stream management is a process that supports a continuous improvement environment in the workplace.

10.3 Hiring of Competent HR

Mr. Books should hire competent Human Resources for its online business management and should give proper attention to their training and development needs. Mr. Books should hire employees who can get the work done. Like Hotmail initially has very good recruits and those employees were the biggest success factor for hotmail. Even in the times of hardships those employees remained with the company and supported it. So Mr. Books should change it hiring processes and criteria.

10.4 Advertisements

In this highly competitive business world no one can deny the importance of Advertising. Mr. Books has virtually no advertising programs offline and online. The only advertising mode utilized is direct mailing to thirty five libraries within the country. Where customers are provided with a list of new arrivals and subsequently the orders are taken either through emails or traditional mail channels. Mr. Books advertising strategies is devoid of any modern advertising tool available keeping the limited resources like, guerilla marketing, affiliate program, ads in the newspaper, magazines like spider, herald, newsline and so on. Moreover a relationship with universities, colleges and schools can greatly enhance the awareness about the brand. Distribution of leaflets through newpaper hawkers is another cost effective mode that can be exploited and bring great benefits for the organization.

10.5 Increasing number of titles

Mr. Books has the potential to increase its no. of titles without holding further physical inventory. It is a direct buyer from B & N and Amazon and can buy titles from them as and when needed.

Similarly Mr. Books can also ask its publishers to provide books o demand and hence implementing Juts In Time Inventory which will save the organization both money and reputation.

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