A1)

* Neither the in-store retailing, nor e-book retailing is picking up.

**Online**

* Had an online store but lost out to Kindle. E-book market has been captured by Amazon with the help of Kindle.
* Kindle (2007) offered several benefits like QWERTY keyboard which facilitated in-text search, could download books over the air anywhere w/o a PC, existing relationships with publishers helped it offer large catalog of e-book titles, sold books at a substantial discount (loss). B&N sold e-books via its website which would require a user to have a PC to access it.
* Amazon bought e-books for same price as physical books and sold it at a loss, this has helped it capture not only a strong consumer base but also a strong book publisher’s base.
* Amazon as a brand was more popular as it sold a variety of products in comparison to B&N which was only into the book retail business.
* Post the launch of Kindle, B&N purchased Fictionwise & owned the eReader format as well as its apps for phones & pcs. It launched Nook in 2009 but it was like Kindle except for **color navigation panel & ability to lend e-books for 14 days**. It received success (20% of e-book market) but it wasn’t innovative enough to topple Kindle.
* Cheapest kindle priced at $114 compared to the cheapest Nook at $149

A2) Pros:

* The no cost of developing an e-book means that there’s opportunity to increase their profit margins.
* Publishers need to worry about leftover/unsold stocks and planning how many books to print during a sale run.
* Lower cost of buying means more people may buy books thereby increasing revenues.

Cons:

* Threat of piracy
* Long time retail publishers for long had the upper hand when negotiating a deal but with advent of DRM schemes like ADEPT, independent authors and booksellers have found a platform to showcase their work thereby diminishing the importance of large retailers.

A3)

* As apparent from the wholesale e-book revenue figures, 2950% increase from 2007-2011, users clearly prefer reading e-books over physical devices. Riding on this trend, though it may be possible for B&N to survive w/o Nook by relying purely on an app-based e-book store (like Kindle app on iPad) but it would not be easy, which is evident from its market cap that has been in a near steady decline over the past three years.
* This would make the B&N platform compatible with a myriad of phones & tablets thereby increasing its reach.
* Can target countries with less e-book market. Tie up with schools, colleges.

A5) Pros

* Amazon can have more than 50% market share in the next 5 years, has large variety of titles, low prices, own Kindle format, cheap reading device, app compatible on several devices having different OS, failure of agency model opens the door to even further reduce prices, diversified business.
* Steady increase in sales (225% increase from 2007 to 2011)

Cons

* People still don’t prefer e-books in education.