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Navigating Business Breakthroughs: Traditional Bookstores in the Digital Era

Nike Zhang
Zhejiang Hangzhou No. 4 High School International School, Hangzhou, 310018, China
Email: 3636498201@qq.com

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Abstract

This study aims to explore the survival challenges faced by traditional brick-and-mortar bookstores in the digital age. Through literature review and case analysis, this study identifies the limitations of existing research, and then constructs a transformation theoretical framework based on industry collaboration and digital integration, and looks forward to the future path of bookstore function reconfiguration. In the context of the digital age, the physical bookstore industry is experiencing a double predicament of scale contraction and increasing operational pressure. The industry transformation lacks a universal paradigm and requires adaptive adjustments based on its own resource endowments. The study further clarifies that the core value of physical bookstores lies in content curation and cultural scene creation, which provides theoretical guidance for seizing opportunities in related industry policies and promoting digital transformation.

Keywords

Digital Age; Physical Bookstores; Digital Transformation; Industry Collaboration; Cultural Space

1. Introduction

In contemporary society, characterized by rapid technological advancement, profound transformations are continuously unfolding. Among these, the advent of the digital era represents arguably the most transformative development. Technologies such as artificial intelligence, big data, and 5G are evolving at an unprecedented pace. China is actively exploring and innovating within this digital wave, fostering a burgeoning digital economy that serves as a new engine for high-quality economic development. This significant shift permeates various facets of life, including the operations of physical bookstores.

As one of the earliest forms of commercial retail, the prototype of Chinese physical bookstores emerged during the Western Han Dynasty over 2,000 years ago. Since

their inception, these establishments have inherently embodied dual attributes of culture and commerce—attributes that are both oppositional and unified, collectively shaping their evolution to the present day. During the formative years of previous generations, physical bookstores were often regarded as venues for leisure, entertainment, and intellectual respite. However, it is increasingly evident that their market space is being significantly constrained by online retailers and e-books, gradually diminishing their prominence in the public sphere. The ascendancy of e-books and online bookstores has profoundly impacted the publishing and distribution sectors, placing the viability of physical bookstores in major urban centers under considerable pressure. Reports indicate that between 2007 and 2014, China witnessed a decline of approximately 15,000 physical bookstores. Even prominent establishments such as Beijing's Third Pole Bookstore, Guangzhou's Sanlian Bookstore, Shanghai's Wanxiang Bookstore, and Gulangyu Island's Xiaofeng Book House have ceased operations. Three primary factors contribute to this trend: firstly, accelerated lifestyles have reduced available leisure time for sustained reading, leading many to rely on e-books during fragmented periods such as commuting or meals; secondly, the relatively high production and storage costs of physical books often translate to elevated prices, rendering e-books a more cost-effective alternative; thirdly, as part of the physical retail sector, bookstores are heavily dependent on urban commercial ecosystems and face significant challenges in independently attracting new patronage. Furthermore, the sudden onset of the COVID-19 pandemic in late 2019 exacerbated the economic downturn, significantly intensifying operational difficulties for physical bookstores and hindering industry recovery.

Confronted with these escalating challenges, the imperative for implementing transformative reforms to usher in a sustainable future has become urgent. The purpose of this article is to conduct an in-depth analysis of the current market challenges confronting the physical bookstore industry. Drawing upon empirical case studies and the specific national context, it aims to assist operators in formulating viable strategies to overcome these difficulties.

2. Literature Review

2.1. The current situation of bookstores today

The number of independent physical bookstores dropped sharply from nearly 30,000 in 2019 to 16,800 in 2024—a decline of 44%. More than 65% of independent bookstores are losing money, with an average gross profit margin of just 28.6%, while rent and labor costs take up as much as 32.7% of their revenue [1].

2.2. How bookstores can change their strategies

Li and Shi (2022), drawing on Goffman’s “front stage/back stage” theory and Meyrowitz’s media situation theory, analyzed how physical bookstores rebuild their

symbolic value. They point out that online bookstores have the advantages of low prices and convenience, while physical stores can offer a "broad space for cultural entertainment" that allows readers to engage more deeply. They argue that the direction for physical bookstores is to shift from traditional book retail to a "cultural space that meets intellectual, emotional, and aesthetic needs." This idea is supported by industry data: hybrid bookstores can generate 12,000 yuan in sales per square meter per year—1.5 times more than pure bookstores (8,000 yuan)—and coffee and cultural products account for more than 60% of that increase [2].

Marjerison et al. (2021) take an empirical approach focused on consumer motivation and perception. Through an online survey, they found that physical bookstores still create unique consumer value, but their survival depends on "transformation, adaptation, and innovation." They emphasize that a bookstore's core strength is no longer just the books themselves, but the "experiential value" and "sense of community" it provides. This conclusion is echoed by the example of 37 independent bookstores in São Paulo, Brazil, who teamed up to create a "Street Independent Bookstore Map." By working together and strengthening community ties, they turned "bookstore browsing" into a way to explore the city, effectively pushing back against the dominance of e-commerce giants [3].

2.3. Unexplored area

However, current research still lacks systematic analysis and in-depth structural examination. The existing literature tends to focus predominantly on a small number of exemplary individual cases—such as Xixi Bookstore—while neglecting the considerable proportion of small-scale, independently operated bookstores. This bias leads to the concern that many of the commonly proposed solutions may not be broadly applicable. Moreover, most transformation strategies appear overly rigid and formulaic, lacking novelty and specificity, which may ultimately result in inefficient transformation outcomes.

To address these research gaps, this paper adopts a multi-method approach that combines both qualitative and quantitative analyses. A comparative case study methodology will be employed, selecting a diverse range of bookstore types—including not only well-known successful cases like Xixi Bookstore but also smaller independent bookstores that have faced varying degrees of difficulty. This comparative design aims to capture the full spectrum of transformation experiences and avoid the survivorship bias prevalent in existing studies. By triangulating data from multiple sources, this study aims to provide a more comprehensive understanding of bookstore transformation and offer context-sensitive recommendations that move beyond the one-size-fits-all approach.

3. Case Study

Tsutaya Books was founded in 1983. Its founder, Masuda Muneaki, proposed the

business philosophy of “lifestyle proposal,” transforming the bookstore from a traditional book sales venue into a space for the display and experience of lifestyles. Tsutaya Books pursues an ultimate aesthetic experience in spatial design, with each store featuring a unique design theme and cultural connotation. The Daikanyama store adopts the design concept of “a library in the forest,” utilizing extensive wooden elements and greenery to create a natural and comfortable reading environment. The Ginza store, themed as an “urban cultural salon,” embodies the refinement and elegance of urban culture through a modern minimalist design style. The bookstore organizes book displays according to lifestyle themes. For example, the “travel” themed section includes not only travel guides but also travel literature, photography collections, and related merchandise, offering a one-stop lifestyle solution. Tsutaya Books has realized a “bookstore + X” operational model. The Daikanyama store records an annual footfall of over five million visitors, with international tourists accounting for approximately 30%; the Ginza store generates annual revenue exceeding one billion yen[4].

James Daunt, CEO of Barnes & Noble, implemented a "store autonomy" reform that decentralizes decision-making power to individual store locations, granting each store control over team composition, product displays, and even pricing strategies. This philosophy stems from his experience running Daunt Books, an independent bookstore in the United Kingdom—namely, making bookstores as engaging and appealing as possible while staffing them with friendly, knowledgeable booksellers. This strategy has enabled Barnes & Noble to reverse its difficulties, opening approximately 60 new stores in 2025, with plans to maintain the same pace of expansion in 2026 [5].

In China, recent years have witnessed the emergence of a range of innovative bookstore practices. Henan Xinhua Bookstore’s “scene reshaping” project is a good example: the Kaixuan branch of Zhengzhou Book Center uses design elements inspired by the province’s culture and operates a hybrid model combining reading, education, training, events, and leisure. By 2025, Henan Xinhua had built 845 shared reading spaces and over 200 campus and community bookstores across the province [6]. Xixifu Bookstore, on the other hand, scaled up through standardized expansion. Its self-publishing brand, “Tuishi Culture,” once sold over 10,000 copies of a single custom book in a month, making it a key product for attracting customers [7].

These three cases represent three different paradigms of physical bookstore transformation. Japan’s Tsutaya Books, centered on the concept of “lifestyle proposal,” has turned its stores into cultural experience spaces through thematic curation and spatial aesthetics, demonstrating that physical spaces can become high-traffic destinations by leveraging beauty and experience. However, this asset-heavy model poses a high barrier for small and medium-sized bookstores. In contrast, Barnes & Noble in the United States achieved transformation through

organizational management reforms, granting individual stores independent decision-making power to adapt flexibly to local needs. This approach resolved the problem of uniformity across chain stores and showed that organizational optimization and localization can also drive recovery. In China, Henan Xinhua Bookstore and Xixifu Bookstore illustrate two distinct paths suited to the local market: Henan Xinhua, leveraging its state-owned background, embeds bookstores into communities and campuses to serve public reading functions—a strategy of service penetration; while Xixifu relies on standardized operations and its own publishing brand to achieve scalable expansion. These two approaches depend respectively on policy resources and supply chain efficiency, offering different directional references for domestic bookstores. Overall, these cases collectively suggest that there is no one-size-fits-all template for bookstore transformation; each must choose a strategy that fits its own resource conditions.

4. Challenges and obstacles during transformation

These studies provide useful frameworks for understanding the transformation of traditional bookstores, but they also have limitations.

First, most existing research suffers from "survivor bias." The vast majority of studies focus on successful cases—names like Zhongshuge, Xixi, and Eslite pop up again and again, while the many small and medium-sized bookstores that quietly closed are lost in the statistical shadows. This selection bias may lead us to underestimate how hard transformation really is. In fact, the hybrid model has high barriers: developing cultural products requires design skills and supply chain management; the coffee business involves food safety and labor costs; hosting cultural events requires curation ability and brand appeal. For most independent bookstores that lack capital and talent, these "standard solutions" are not really workable.

Second, the sustainability of the "bookstore+" model hasn't been fully tested. Most studies focus on the increase in sales per square meter, but few ask: when every bookstore starts selling coffee, hosting lectures, and creating cultural products, where does differentiation come from? Homogenization is becoming a new concern. Some bookstores blindly bring in food, retail, and other services without thinking about how they connect with books, ending up as "grocery stores dressed up as bookstores" and losing their core competitiveness. This "transformation for transformation's sake" doesn't save them; it actually speeds up the loss of brand identity.

Quadrant Type	Business Diversification Level	Brand Differentiation Level	Operational Status & Risk

Current Mainstream Trap	High (coffee/lecture/cultural retail)	Low (homogeneous imitation)	Abandon book core competitiveness, become a "book-shaped grocery store"; serious homogenization, unsustainable transformation
Ideal Sustainable Mode	High	High	Diversified business deeply binds with book positioning, forms an exclusive brand identity and competitive barrier
Niche Independent Store Mode	Low	High	Focus on vertical book categories, rely on community reader loyalty, and operate on a stable small scale
Recession Mode	Low	Low	Single book retail business, no experiential consumption, severely impacted by online channels

Table 1. Porter's Competitive Strategy Matrix: Data for the Bookstore+ Model

Third, existing research doesn't dig deep enough into structural issues. From an industrial economics perspective, the trouble facing physical bookstores isn't just about poor management—it's the inevitable result of a shift in power within the book retail channel. Online platforms, with their economies of scale and data capabilities, have built systematic advantages in procurement costs, inventory turnover, and customer reach. In 2024, Douyin's e-commerce sold an average of 3 million books per day, with the number of buyers increasing 130% year-on-year [8]. This kind of channel revolution is something no individual bookstore can compete with simply by offering a better experience. In other words, the decline of physical bookstores isn't because they aren't trying hard enough—it's a structural necessity caused by the transformation of the entire retail ecosystem.

Pressure Level Reference: 1 = Very Low, 2 = Low, 3 = Medium, 4 = High, 5 = Extremely High

Competitive Force Dimension	Pressure Level Score	Specific Performance
Threat of Substitutes	5	Online book sales, e-books, and knowledge-short videos strongly replace offline consumption
Intra-industry competition	4	Blind "bookstore+" transformation leads to severe homogenization competition
Buyer Bargaining Power	4	Consumers compare prices online, are highly price sensitive, and have low loyalty to offline stores
Supplier Bargaining Power	3	Small and medium-sized bookstores have low procurement volume and weak bargaining power with publishers

Threat of New Entrants	4	Online live-streaming book sales have low entry barriers, and continuous new merchants enter the market

Table 2. Porter's Five Forces Competitive Pressure Measurement Table for Physical Bookstores (Radar Chart Data Source)

5. Transformation Strategies for Traditional Bookstores under Current Trends

Based on the above analysis, this paper proposes a different theoretical perspective from the mainstream view.

The implicit assumption in existing research is that physical bookstores can save themselves through individual-level innovation. While this idea has some value, it overestimates how much room micro-level players really have to act. This paper argues that the real way forward for traditional bookstores is not about "doing better," but about redefining their role in the cultural industry chain. Industry collaboration—systematic cooperation between bookstores and other types of businesses—is becoming an unavoidable direction.

This judgment is based on the following observations. First, coordination in the supply chain can help reduce procurement costs for individual bookstores. Examples like the "Map Alliance" of independent bookstores in Brazil[9] and the industry association formed by more than 20 independent bookstores in Oklahoma, USA[10], show that collective actions like joint purchasing, resource sharing, and co-marketing can significantly improve small players' bargaining power and ability to withstand risks. Second, spatial alliances can help create a "bookstore network effect"—when readers can find a network of bookstores with consistent branding and service standards across different cities and neighborhoods, "browsing bookstores" can turn from an occasional activity into a daily habit. Third, collaboration at the data and IP level offers deeper possibilities: through industry alliances that integrate user data, share content copyrights, and co-develop cultural products, traditional bookstores may be able to carve out a third path in the cracks of the platform economy.

The core competitive advantage of physical bookstores lies in the integration of "technology and the humanities." Digital transformation is not merely a simple overlay of technology, but rather a means of making cultural value more tangible through technological application. For example, the out-of-print book restoration archival system translates the expertise of master craftsmen—such as "aligning paper texture"—into algorithmic parameters, enabling young staff to perform fine restoration work with AR guidance, thus achieving a "digital apprenticeship" model of knowledge transfer. Behavioral analytics platforms further enhance the precision of cultural services; for instance, when the system identifies users labeled as "rare book enthusiasts," it automatically sends them invitations to restoration workshop open days.

Looking ahead, physical bookstores are expected to evolve toward two roles: "hubs for the promotion of national reading" and "centers for cultural consumption experiences." The implementation of the National Reading Promotion Regulations in 2026 presents new opportunities for the industry. Bookstores must redefine their functions and values: to become "deep cultivators" and "promotion hubs" for national reading, fostering regional reading cultures through diverse events; to become "experience centers" and "aesthetic spaces" for cultural consumption, catering to complex spiritual needs; and to become "innovation nodes" and "service hubs" within the industrial ecosystem, advancing digital integration and cross-sector collaboration.

6. Conclusion

This paper examines the transformational challenges confronting traditional physical bookstores within the digital context. It identifies a marked decline in store numbers alongside significant operational pressures, while critiquing extant literature for potential survivorship bias and a lack of sufficient structural analysis. Employing comparative case studies of Tsutaya, Barnes & Noble, Henan Xinhua, and Xixifu, the research posits that no universal template for transformation exists; strategic approaches must be meticulously aligned with the specific resource endowments of individual entities. The imperative for industry-wide collaboration is underscored. Furthermore, while the conventional bookstore format may face obsolescence, its intrinsic function as a cultural space is anticipated to undergo reorganization and integration into broader socio-cultural ecosystems.

In the digital era, the viable pathway for physical bookstores resides not in "resisting digitalization," but in anchoring their core value in content curation and leveraging technology to reconstruct their value chain. The fundamental appeal to readers stems ultimately from the intellectual content conveyed, irrespective of its medium—be it printed text or digital display. Within this media transformation, the printed book is evolving into a more refined artifact, functioning as a tangible vessel for profound thought amidst the pervasive digital environment. As custodians of these vessels, physical bookstores must actively engage with digital transformation to perpetuate their role in knowledge dissemination.

Current data indicates a national reading rate of 82.1%, with printed materials constituting 57.6% of the population's total reading volume, thereby retaining a substantial market share. The pursuit of deep reading has emerged as a significant counterpoint to digital ephemerality. Consequently, the digital transformation of bookstores can be conceptualized as a strategic contest for "attention"—utilizing technological tools to redirect the fragmented, "shallow reading" engagement prevalent online back into physical spaces, where it can be converted into sustained "deep reading" experiences centered on print media and curated cultural events. The potential outcome of this process may not be a simple online-offline integration,

but rather a sustained coexistence of "shallow" and "deep" reading modalities.

A pertinent question arises: if industry collaboration is the prescribed path forward, will the "traditional bookstore" as a distinct business format persist? This paper adopts a stance that is both cautious and radical: under the dual pressures of technological and capital logics, the traditional model predominantly reliant on book retail is highly susceptible to disappearance. However, disappearance does not equate to termination. The physical bookstore as a cultural spatial concept will likely persist through alternative configurations: it may become a component within a larger cultural complex, a module integrated into community service centers, or a physical touchpoint for digital platforms. Thus, the "disappearance" of the traditional bookstore format is more accurately understood as a process of functional deconstruction, reorganization, and subsequent embedding into larger systemic frameworks. Acknowledging this trajectory is not an exercise in pessimism, but a prerequisite for formulating clear-sighted strategies to navigate impending changes.

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