

2.96 - Management in Engineering, Fall 2004

Massachusetts Institute of Technology

Department of Mechanical Engineering

Instructors: Professor Jung-Hoon Chun and Professor Alexander d'Arbeloff

Ratio Analysis of Barnes and Noble (BKS) and Amazon (AMZN)

Sample Presentation

*Your actual presentation should present more ratios/ conclusions/ hypothetical situations

Company logo(s) removed due to copyright considerations.

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Started in 1873, went online in 1997

online store in July 1995

#1 US bookseller, #1 US video game retailer

millions of books, CDs, DVDs, videos,
toys, tools, electronics, home
furnishings, apparel, health and beauty
goods, prescription drugs, and services
including film processing.

The selection at each Barnes & Noble store
is tailored to the interests of the local
community it serves.

World-wide service

* Information source: Hoover's online

Company logo(s) removed due to copyright considerations.

Strategy- to **increase share** of the consumer book market, as well as to **increase the size** of the market

Believes **proximity to customers** strengthen its market position and increase franchise value.

Tremendous selection builds **customer loyalty**

Employ an aggressive nationwide **discount pricing strategy**

Company logo(s) removed due to copyright considerations.

Vision: to be earth's **most customer centric company**;
to build a place where people can come to **find and discover**
anything they might want to **buy online**.

Three pillars of customer service: selection, convenience, and
relentlessly lowering prices

We endeavor to offer our customers the **lowest possible prices**

Inventory Turnover Ratio*

BKS	AMZN	Ratio
0.71	4.77	0.15

- BKS inventory (1.5 billion) > AMZ (180 million)
 - BUT similar cost of sales
- BKS: 21.7 million (approx store space) + storage space vs. AMZN: 4.2 million (storage space)
- AMZN: highly effective shipping system, algorithms
- BKS- buy at store vs. AMZN- shipping time: determined by customer

*All ratios in this presentation were averaged over 3 quarters

Profit Margin %

BKS	AMZN	Ration
2.84%	-1.4%	-2.03

- Similar Sales (~\$1.3 Billion)
- Net Earnings of BKS > AMZN (negative):
discounted/free shipping

More ratios and comments/conclusions...

- Minimum of 5 ratios
- Examine differences between companies
- Speculate cause of major differences b/w the pair
- Pose a few questions/ hypothetical situations and answer them (using ratios and information from SEC filings)

Hypothetical situations/questions

- **Bad relationship between suppliers- who would be hurt most?**
 - Amazon- 10% of inventory purchase → Ingram Book Group
- **Who will do better in the future?**
 - Barnes and nobles- about to exhaust market → invest more in Barnes and Nobles.com?
 - Amazon- more room to expand
 - Sales growth Ratio (AMZN > BKNS)
 - Internet Laws? Taxes?