

## Study on Daikanyama T-Site's business model

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### ABSTRACT

*With the wave of digitization and the popularization of the Internet, the real economy represented by the physical bookstore was once severely damaged. Under the double attack of electronic publications and online bookstores, the performance of many physical bookstores has declined and their operation is difficult, which were even closed down. To achieve long-term development, the surviving enterprises have to innovate and transform. In this trend of innovation and transformation, Daikanyama T-Site is particularly prominent, flying against the trend, and creating a new situation in the Internet era that makes heavy traditional industries shine in front of them. Management master Drucker once said that all competition is the competition of business model. In fact, the fundamental transformation of all enterprises is the change and innovation of business model. Therefore, this paper hopes to provide reference and inspiration for the transformation and development of other physical bookstores or real economy in the new retail era through the research on the business model of Daikanyama T-Site.*

**KEY WORDS:** *Physical bookstore; Daikanyama; Business model; Space reconstruction*

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### I. THE INTRODUCTION

In the past decade, many physical bookstores around the world have disappeared. Small and medium-sized bookstores in China have gone bankrupt one after another, and bookstores in Europe and the United States have had to face the situation of continuous shop closures and declining sales. Similarly, Japan, a publishing powerhouse, has also been hit. With the rapid development of the Internet, people have diversified ways of reading and purchasing books. Online bookstores and digital publishing have combined to reconstruct the competitive pattern of traditional publishing industry. This trend has only recently eased with the emergence of more and more experiential feature bookstores, modern complex bookstores and urban cultural complexes. In recent years, the development of the real economy has once again become the focus of social attention. The concept of "new retail", "smart retail" and other retail-related concepts emerge in endlessly, which shows the trend of real economy warming up.

As an inseparable part of the cultural industry, the physical bookstore is the symbol of urban culture and the spiritual landmark of the nation. It plays an irreplaceable role in promoting the reading of the whole people. In today's fast-paced life, most of us are heavily dependent on mobile phones. We are gradually getting away from writing, ink and books, and losing ourselves in the virtual space. However, we can't live with only metal. Therefore, in order to bring more people into bookstores, operators should consider how to adjust and optimize the original bookstore business model.

The research object of this paper is Daikanyama bookstore, which is a Japanese chain bookstore. Masuda, the founder of the T-site, thought actively and tried hard to innovate against the current in the context of dismal management. In 2011, Daikanyama T-site was opened on a 4,000 square meter land in Shibuya district. Based on years of experience, it enriched and expanded the functions of the bookstore, carried out business model innovation, and finally achieved a monthly profit of 100 million yen, and became the largest chain store of video, audio and book in Japan.

### II. LITERATURE REVIEW

In recent years, there have been a lot of studies on physical bookstores at home and abroad, mainly focusing on the following aspects. First of all, the research on the current situation of the existence and development of brick-and-mortar bookstores. Huang Xin (2013) has analyzed the current situation of the existence and the difficulties faced by contemporary brick-and-mortar bookstores in detail.

The second steam studies the transformation of physical bookstores from the perspective of marketing innovation. Wu Qiong (2017) analyzes the business philosophy and strategic innovation of Japanese physical bookstores from the perspective of 4R marketing theory. Xue Fang (2017) gives specific measures for the marketing of physical bookstores in the new marketing environment. Wang Dandan (2015) describes the differentiation positioning and business strategy combination of physical bookstores from the perspective of 4V

marketing.

The last steam is focus on the business model of entity bookstore. Xie Wei and Hu Yue (2017) studies the business model of physical bookstores from a macro perspective based on the canvas model of business model. Cai Guocheng (2015) elaborated the transformation road of business model and the ideas of how to transform physical bookstores. Wu Yue (2011) talked about the transformation of business model of physical bookstores around the theme of reading.

When researchers analyze the dilemma of traditional physical stores, almost of them attribute it to the fierce competition of online bookstores, the impact of changes in people's reading styles, the rise of rent and human resource costs. They often ignore the fundamental causes of business model innovation, cultural consumption, cultural services and cultural market positioning changes under the background of global knowledge economy (Zhang Hongwei, 2012). Therefore, this paper analyzes the enterprise growth and revenue growth brought by the business model innovation of physical bookstores through specific cases, so as to provide reference for the transformation of physical bookstores in China.

### **III. RESEARCH MODEL AND METHOD**

#### **3.1. Research model**

Based on the business canvas, this paper analyzes the business model of Daikanyama T-Site. The "business canvas" is a tool used to describe, analyze and design the business model, which is composed of nine basic building blocks: customer segment, value proposition, channel, customer relationship, revenue stream, key resources, key activity, key partner and cost structure, covering the commercial four aspects: customer, product / service, infrastructure and financial viability. Through this analysis, we can find out how Daikanyama innovates and achieves revenue growth.

#### **3.2 Research method**

This paper mainly studies the business model of Daikanyama Bookstore through the method of literature research. Through reading a large number of newspapers, periodicals, master's thesis and books of the founder of the bookstore and paying attention to the dynamic information of the Internet, the business logic behind the bookstore can be restored and elaborated to the greatest extent. And this paper also uses the case analysis method to summarize the internal logic of the success of Daikanyama and put forward suggestions for the transformation of physical bookstores in China.

### **IV. BUSINESS MODEL ANALYSIS OF DAIKANYAMA T-SITE BOOKSTORE**

#### **4.1 Customer segment**

Any business operation must determine its target audience, if it wants to develop in the long run, it must have a clear market positioning. Daikanyama T-Site is divided into mature 50s and 60s by age and lifestyle characteristics, which is also known as the "Golden Generation". Its official text is that a bookstore planned for the Block-age. Most of these groups maintain the habit of paper reading and pursue a sense of quality. They pay more attention to the pleasure brought by paper book reading. For them, bookstores are not only places for book consumption, but also spaces for spiritual dwelling and spiritual compensation. Therefore, even in today's era of e-commerce and mobile terminals sweeping the world, they are more willing to choose physical stores. On the basis of fully understanding the psychological needs of acquaintances, the company launched products and services in line with their needs, and successfully realized the differentiated positioning and acquisition of loyal customers.

#### **4.2 Value proposition**

The problem of physical bookstores is that they sell books. If it is just selling books, bricks-and-mortar bookstores have no advantage at all over the likes of Amazon. Therefore, the founder of the Daikanyama T-Site believes that the store has never been a place to sell books, magazines, DVDs and CDs, but to provide customers with proposals in various carriers, that is, the content and lifestyle contained in books, music and movies. Therefore, the business of Daikanyama is a philosophy of life, which is not a store in the traditional sense, but a proposal place and experience space for selling lifestyle. To this end, the founder removed all the directional signs, such as price tag and cash register logo, which would remind people that this is a store, creating this space like a home (Wu Xin, 2017). But for now, T-Site is more than a proposal site for a lifestyle; in some ways at least, it is beyond the lifestyle itself, often with a cultural claim. However, "customer value" and "lifestyle proposals" are at the heart of the business philosophy.

#### **4.3 Channel access**

Channel channel is a way for physical bookstores to convey their value proposition. Now, Daikanyama T-site has nearly 1,500 stores in Japan, of which about 100 are direct and the rest are franchised. In

addition to reaching customers through stores, T-Site also connected to customers via the Web. In the early 2000s, Daikanyama T-Site launched online service that offers cultural content over the Internet. The founder of the store believes that only stores run by online companies can survive in the future in a highly competitive physical environment.

#### 4.4 Customer relationship

The first manifestation of customer relationship is its membership system. One of the most valuable resources of Daikanyama is its T-Card membership system and T-Point points system for collecting consumer data. T-points is a cross-industry service that has partnered with hundreds of companies to offer points to customers whether they shop at Family-mart, a community cafe or cram school, or rent a CD at Daikanyama T-Site. Points culture is very popular in Japan, where points can be deducted for consumption. Enterprises will issue their own point cards to attract customers, while T-points can be used in more than 220,000 outlets in Japan, which avoids the tedious business of consumers using one card in each store. In addition to enjoying points activities in cooperative enterprises, some credit card functions are attached to some credit cards, and they can also enjoy them in Daikanyama bookstore to rent DVD / CD service. As of June 2017, the number of T-point members has reached 60 million, and the monthly active members have exceeded 50 million. The accumulated massive data has provided great help to the book selection and intelligent recommendation, which covers almost all fields of user consumption behavior. It plays an important role in bookstore's description of users' psychological portraits, making user labels and then making proposals, that is, precise marketing. Its future commercial society is an important part of life and death.

The second embodiment of customer relationship is to build experience space. The spatial layout of the bookstore fully reflects the user first. The most famous spatial layout of Daikanyama is the unique T-site design concept. T-site is a one-stop cultural consumption complex composed of Daikanyama bookstore and other shop cluster. Taking Daikanyama store as an example, it is called "the library in the forest", which is composed of three buildings. The shops are connected together by the forest path and the external wall of the building adopts concave convex and hollowed out way to show the bookstore logo "T" (Zhang Yue, 2017). With the clean quality of floor glass, it constructs a unique and cultural architectural space. In the interior space, warm yellow light, cork furniture and transparent material guide board are used to reasonably layout, giving people a feeling of home. In addition to displaying books on the first floor, there are also coffee, stationery and various commodities with strong relevance. On the second floor, there are mainly movie and music rental service areas, tourism service areas and various activity spaces. Consumers can not only buy and read books, but also enjoy integrated services, including exclusive store services and bicycle services in the garden area.

Moreover, Daikanyama T-site has reconstructed the space by its content. In traditional bookstores, the shelves are divided according to the pronunciation of the publisher's name and the author's name, and staff simply mechanically place the books on the corresponding shelves. In Daikanyama bookstore, it is necessary to consider what kind of proposal can arouse the interest of customers and meet their needs. Daikanyama store divides all kinds of proposals into six major areas, namely tourism, food/cooking, Humanities/literature, design/architecture, art and automobile, according to the similar contents, and displays related commodities according to different plates, which not only increases the interest of reading, but also improves the consumers purchase rate, thus increasing the unit price of customers. For example, in the tourism zone, T-travel counter is set up, so that customers can get travel information, make detailed travel plans and order air tickets in the bookstore; in the special food area, there may be selling tools and cooking materials next to the menu display.

Finally, one of the ways to create value in physical bookstores is to provide an communication platform. Morioka believes that communication is very important for paper books to survive (Wu Xin, 2017). In order to reflect its communicability, Daikanyama bookstore often holds various activities, such as seminars, lectures, concerts, art exhibitions and historical retrospective exhibitions. The theme of the activities is generally related to the books sold. Readers can participate in activities with different themes according to different interests, exchange and share their experience with like-minded friends, so as to extend the contents of books to real life live. For example, Daiguanshan store held a series of flash activities with the cooperation of books and peripheral products as the main axis, which attracted a large number of fans and readers.

The last embodiment of customer relationship is personalized service, including expert guide, video service and overnight service. Knowledgeable salespeople are essential if the innovative idea of selling lifestyle proposals is to be successful. They need to make decisions in the whole process from commodity purchase to store layout, and actually receive customers and make suggestions to customers. For example, the cookery book guide is a former editor in chief of a female magazine published by a large Japanese Publishing House, and the tourist guide is a journalist who has published more than 20 travel guides. Through face-to-face communication, professional shopping guides provide customers with more personalized and professional services, deeply expand the knowledge of the areas of interest to consumers, and accurately guide the book purchasing service to achieve customer satisfaction.

In addition, Daiguanshan bookstore is mainly engaged in music that is well known and remembered by the mature people, and provides them with classical music, jazz music, rock music and pop music with CD as the carrier. There are about 130000 CDs and DVDs that can be lent out. These films and music can be tried and heard for free. Professional audio-visual equipment has been prepared, and tables and chairs for two people to listen to are set up around the house. In the audio-visual area, there is an independent film rental service. Members can put the films into their own free postage bags and put them into the mailbox nearby.

Finally, it is about the personalized service of night operation. Most of the time, readers are attracted by the chapters in the book. However, due to the short operation time of the bookstore, they cannot continue to read. Therefore, Daiguanshan bookstore has extended its business hours to 2am in the morning. It also provides accommodation for backpackers, literary youth and book loving customers. This is conducive to cultural exchange between backpackers and guests. Through travel, they can also free promotion for bookstores.

#### 4.5 Key activity

The main business of any physical bookstore is books, once separated from the main business of books, there will be a lack of reading and cultural core. At present, only 12% of Daikanyama T-Site's collection -- about 150,000 books -- is the same as a regular bookstore, but for physical stores, a single format will not satisfy consumers' needs. Taking books as the carrier, T-site expands the connotation and extension of reading and launches numerous cultural products and related peripheral products. DaikanyamaT-site is also a compelling business, available for rent or purchase. It is the first bookstore with "bookstore +" multi-format operation, which introduces special services like coffee, restaurant, lounge and travel service, making it a one-stop service.

Moreover, Daikanyama T-Site launched two major innovations, namely, "Daikanyama household appliances" and "Daikanyama Bookstore apartment". Daikanyama appliances include "home theater", "enjoy home life" and "enhance communication". Specific proposals are made according to different themes, so as to centralize the household appliances used to achieve the same proposal and break the mode of commodity classification of home appliance stores. The bookshelf and bedstead are connected together in the apartment of Daikanyama bookstore. Customers can pick up books at will, read on the bed or buy books.

#### 4.6 The key resources

In the era of big data, consumers' membership registration, consumption behavior and browsing behavior are of vital importance. They are important channels for enterprises to understand and analyze consumers, and they are enterprise information assets with economic value. There are plenty of ipads available for readers at Daikanyama bookstore, and the iPad has built-in search software to help readers read e-books and check out books. The bookstore uses electronic labels to accurately locate books and realizes "complete self-checkout", which reduces operating costs and saves consumers' time to visit the bookstore. For the bookstore, the data read by electronic tags can accurately collect, record and store consumers' consumption information in the bookstore (Qin Ying, 2016). T-point points system of Daikanyama includes data about almost all aspects of consumers' daily life and transportation, which provides an analysis basis for professional book selection and precision recommendation.

Another key resources in Daikanyama T-site is its senior editorial work. It is the first bookstore to reconstruct the editing mode. The founder rejected the traditional library classification method and changed the book display and selection. By selecting a professional shopping guide, Daikanyama selected and displayed related books and products, but the choice of professional shopping guide was a great challenge. Partitioning according to the content of the proposal has a high requirement on the ability of employees to come up with a proposal that appeals to customers' interest and satisfies their needs. If it is a cooking area, it can be "collecting books on the history and practice of the same source of medicine and food"; if it is a tourism zone, it can be "introducing modus Prague from the perspective of art". Then, according to these themes, it is necessary to carefully consider the contents of books that have not been read and consider whether they are suitable for shelves. These not only need their placement time and labor, but also need foresight (Masuda, 2016).

The last key resource is its spatial image. More and more companies are focusing on the design and comfort of space, and Masuda believes that to make people feel the scenery, they must pay attention to the location of light and eyes. In response, Daikanyama T-Site's designers came up with the term "human dimension", which refers to what it takes to create that sweet spot and balance -- not efficiency, but happiness. Such as the comfort of the distance between the buildings, the balance of sunlight and shade, and the openness of the flat parking lot. The unique and personalized space design of T-site has attracted a large number of consumers and achieved successful drainage.

#### 4.7 Revenue stream

Daikanyama's revenue stream is tied to its critical business -- revenue from book sales, which is impossible for a bookstore to service. Now, books accounts for only 20% of Daikanyama's revenue, and the rest

comes from affiliate sales. Revenue was also boosted by sales of CDS and DVDS, T-site and peripherals, but its biggest profit came from site leasing. Daikanyama T-site is leased to restaurants, coffee and tea service operators, and hosts exhibitions, lectures, concerts and other events, for far more money than it gets from book sales.

#### 4.8 Key partner

Daikanyama T-site is franchised by CDC, T-Bone, and food-related companies. Among the joining enterprises, it is divided into points joining and shops joining, basically T-site cooperative enterprise is the first in the industry. Points join the enterprise is mainly to exchange points, the most famous is to cooperate with the whole family, share the user share. The main reason for the store joining is to obtain T-site data, which can be used for commodity development and promotion management and help the enterprise with customer relationship management.

#### 4.9 Cost structure

The cost of traditional bricks-and-mortar bookstore is mainly rent, operation cost and labor cost. By using new technology, T-Site bookstore saves the tedious work such as book registration by staff through importing REID system, which saves part of the labor cost. The use of social media, tablets and other online synergies help store save a large part of the cost for the promotion and operation of the bookstore. In addition, due to the meticulous customer service, consumers do publicity for the enterprise for free, forming a word-of-mouth effect, reducing the cost of publicity.

### V. PRACTICAL IMPLICATIONS

Even though Daikanyama T-site is located in Japan, which is a bit different from Chinese culture, and its business model may not fit into Chinese society, there is still a lot to learn about its business model. Especially at the moment of transformation, the physical bookstore should change the traditional thinking mode, set up and reconstruct the “user thinking”, and transform around the “user-centered” (Liu Yao, 2015).

Compared with online bookstores, the advantage of physical bookstores lies in their strong sense of experience. In the era of attention economy, more and more consumers are paying for appearance, which has changed from pragmatism to aesthetic consumption. Therefore, bookstores need to carry out an all-round spatial layout to attract consumers' attention and thus promote purchasing behavior (Li Anqiao and Wang Lei, 2015). However, space reconstruction is not mean space decoration, the former not only covers the decoration of a physical bookstore, but also needs to consider the classification standards and display space of books and other commodities, so as to demonstrate its “spirit of place”, that is, the significance of architecture is not limited to its space and characteristics, and more importantly, it can help people find a sense of identity and direction (Wu Qiong, 2017). At present, most of the physical bookstores in China remain in the form and surface of space reconstruction. Even for such a featured bookstore as Sisyphus Bookstore, its commodity display lacks certain relevance. As a result, Daikanyama T-Site's catalogs and product-related displays are textbook instruction.

Another practical implication is about crossover operation. More and more physical bookstores in China are carrying out diversified business operations to create a complex space. In the original single book sales model, the business of coffee simple meal, cultural and creative products, activity space and other businesses were integrated. However, some bookstores directly copy the “bookstore + coffee” mode, and some bookstores are not even related to each other and are separated from the main business of books. Therefore, it is not surprising that the expected objectives of the operators cannot be achieved. In the process of transformation, bookstore operators must consider their key business and value proposition clearly, and based on this, explore the benign development of cross-border business model.

The last practical implication is creating a reader database for every bookstore. In fact, many retailers now have memberships and own databases. However, the problem is that many enterprises do not turn user relationship into an asset, and their use of user data is only limited to sending promotional messages or new product advertisements at special time points. Many users may not re-purchase and the customer price is too low. However, the founder of the store improves the repurchase rate by taking advantage of users' minds and achieves the expansion of ten times the number of users. In the operation and practice of physical bookstores, the company should make full use of book circulation, member registration, consumer card records, readers' online search and network reading traces, establish a large database, use new technologies to deeply mine the real needs of consumers, provide consumers with unique and personalized lifestyle solutions, and realize the transformation and upgrading of physical bookstore data resources (Wu Qiong, 2016).

## VI. CONCLUSION

In the operation of Daikanyama bookstore, the “customer value” has always been put in the most prominent position. Whether it is the change of book display mode, professional shopping guide, no advertising signs in the store or other details, all reflect the “user-centered” thinking. It is such a business philosophy that makes the house go against the current and occupy a powerful position in the market competition of physical bookstores. The external competition is becoming more and more fierce. If the physical bookstores want to develop for a long time, they must start from the internal operation and management, pay attention to the turbulent market environment, take “book” as the core, and adjust the business model of the enterprise according to the changing customer demand.

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