

The Englishman trying to save American bookstores from Amazon

James Daunt rescued UK chain Waterstones but now faces his toughest task: tempting Americans back into Barnes & Noble

John Gapper JUNE 2 2021

On a bright Tuesday in April, the car parks at Fosse Park, an out-of-town shopping centre south of Leicester, are packed. Recently eased lockdown rules have allowed shops to reopen, and many people are enjoying their freedom. Eager customers line up in the sunshine.

One of the visitors is Oana Bacos, a 26-year-old who works nearby. Today, Bacos is giving herself a treat in a newly opened outlet of bookshop Waterstones. She stands by the shelves, holding a paperback of *Convenience Store Woman* by the Japanese novelist [Sayaka Murata](#). “The bookseller recommended this, and we had a nice chat about what she enjoys, what I enjoy and all the books we have in common,” she says. “I love being here and browsing. It’s so different from looking online.”

Before the pandemic, Bacos was a regular at the Waterstones in the centre of Leicester, one of 286 stores run by the UK’s largest book chain. Her presence in Fosse Park is an omen: more retailers are now moving out of town. “People are happy to return to shops but bookstores are special,” says the store’s manager, Louise Walker, who joined a chain in 1987 that was later taken over by Waterstones. “They are so pleased just to be here, they talk about it like a lifeline. They want to touch the books, even smell them.”

The future of this precious experience is far from assured in the age of Amazon, ebooks and the pervasive strain on physical retailers of all kinds. A great deal depends on the benign dictator of English-language bookstores, James Daunt.

The 57-year-old executive is well known in the UK for founding Daunt Books, a quirky but much-loved group of nine shops, 31 years ago. In 2011, as the might of Jeff Bezos's juggernaut shook publishing, Daunt was called in to [rescue Waterstones](#) from threatened extinction. Now he is attempting to repeat the trick.



Daunt Books on Marylebone High Street in London, where James Daunt opened the first of his nine shops in 1990. He decided early on that bookshops need to be atmospheric places with knowledgeable staff © Charlie Bibby

In 2019, the investment fund that owns Waterstones, Elliott Advisors, [purchased the ailing Barnes & Noble](#) and its 607 US bookstores for \$638m and put Daunt in charge. Then the pandemic struck.

While many stores suffered during lockdown, book sales rose sharply as people sought diversion. “I’m optimistic that people have enjoyed reading books, and they’ll continue to do so,” says Daunt, sitting by a tome-piled table at his own chain’s first store in London’s upmarket Marylebone district. “The big question is, will they find it most pleasurable to buy them in places like this?”

Another pressing question is whether Daunt can conquer the larger and more diverse US market using a formula honed in the UK. The number of bookstores in America fell from 11,200 in 2004 to 6,200 in 2018, and some doubt whether anything can halt the decline.

“If his mission is to turn Barnes & Noble into a successful chain, it can’t be done,” says Mike Shatzkin, a veteran New York-based analyst. “It’s impossible. The best strategy for the owners is to take out cash as long as they can, and then sell the bones.”

Daunt knows that failing would hurt more than his reputation. It would jeopardise the distribution infrastructure that supports thousands of independent bookstores across the US, with knock-on effects in UK books. “If we go bust, our world is pretty much screwed. You end up with only Amazon and the publishers,” he says. “Amazon is the predator that has culled the weak in this business and left only the strongest. If we relax for a second, it will eat us.”

When Daunt arrived in New York to take charge of Barnes & Noble two years ago, he attended a party held by Madeline McIntosh, US chief executive of Penguin Random House, the world’s largest publisher. Editors were eager to meet the new B&N boss, but McIntosh thought Daunt seemed distracted. “He kept on looking around at my bookshelves,” she recalls. “When he was leaving, he said, ‘I hope I can come back to browse. That’s what I’d really like to do.’ So he’s a book nerd, like us. That’s why we like him.”

**If his mission is to turn
Barnes & Noble into a
successful chain, it can’t be
done**

Mike Shatzkin, analyst

This bookishness is not an act. But it is easily misread as softness, especially by Americans. Daunt is, in fact, distinctly determined, sometimes ruthlessly so. As he puts it, “Don’t assume good fortune. Do whatever is necessary to get through.” His first step at B&N was to halve the staff at its New York head office, and he later [laid off 5,000 employees](#). “Behind his cool exterior, there’s an emotional intensity. He’s incredibly committed and driven,” says Tom Weldon, who heads Penguin Random House in the UK.

Daunt drifted through his early, privileged life. The son of a roving diplomat, he boarded at - Sherborne, a public school, and later studied history at Cambridge. He tried his hand at investment banking as a JPMorgan trainee in New York. Katy Steward, his then girlfriend and now wife, worked at an aid organisation that developed education policy in west Africa and did not approve. “Much as I might be enjoying it, was that really how I was going to spend my life?” he recalls her asking. “So I left.”

The iron entered his soul when he set up his first bookshop in an Edwardian building on - Marylebone High Street in 1990. He soon discovered that it was not an easy life. He had to sit on a lot of expensive stock, which took a long time to sell. He needed large spaces in desirable locations with high rents, and he required a lot of knowledgeable staff.

“I found,” Daunt says, “that the economics of a bookshop are terrible, like shit.” He spent his first four years fearing bankruptcy. Sometimes he did not pay creditors because he was short of cash. “If there were two men in suits in the queue, I knew the bailiffs had turned up,” he says.



James Daunt's solution to Waterstones' troubles was simple: he ran it more like Daunt Books. Will the same trick work at Barnes & Noble? © Illustration by Guillem Casasús. Photography by Charlie Bibby

Amid this struggle, Daunt developed his distinctive style: recommending books that he and his staff had actually read and enjoyed, rather than publishers' favourites, and displaying them artfully with their covers face out, sometimes with handwritten notes of recommendation. Most retail chains now grasp the importance of creating an enticing atmosphere in stores, but he mastered it early. He understood bookshops work best if they feel like clubs in which dedicated readers can consult expert curators.

Despite the scale of the operations over which he now presides, Daunt retains the manner of his early years. He gets around his London shops by bicycle. When we meet in Marylebone, he sports a plaster on his forehead, having hit himself by accident while pruning an apple tree at his home in Hampstead. (The family also has a second home in Suffolk.)

Amazon is the predator that has culled the weak... If we relax for a second, it will eat us

James Daunt

“I will plough my way through something serious,” he says of his reading habits. “I’m reading Alex Ross’s book on Wagnerism now.”

His spartan habits extend to holidays. The family bought “a wreck of a house” on the Scottish island of Jura four years ago but have yet to refurbish it, and instead stay with old friends on their annual visits. “It’s a big, wild island, a magical place,” Daunt says. If you walk up the west side, there are some wonderful beaches. You carry a tent or stay

[overnight] in a bothy, but the most fun is to sleep in a cave.”

Daunt’s distinctive personality, his charm married to deliberate reticence, can puzzle some US executives. “Sometimes I wonder, ‘Is this because you’re James or because you’re British?’” says Jackie De Leo, B&N’s vice-president for bookstores. “I have to pull out what he really means. He doesn’t give you all the answers, but I think there’s a method there.”

Paul Best, head of European private equity at Elliott Advisors, cannot remember who first suggested doubling down on the fund’s 2018 [acquisition of Waterstones](#) by buying Barnes & Noble too. “The idea evolved as we talked and we asked James, ‘Do you think the Waterstones playbook could work there because it would be quite bold?’”

Bold is an understatement, given the troubles of physical shops and shopping malls in the US. One 2020 study estimated that online retailing would contribute to 25 per cent of US shopping malls closing within five years. The mathematics of the challenge facing bookshops are simple. Shatzkin, the analyst, estimates there were 500,000 US titles in circulation in 1990, and the largest Barnes & Noble stores stocked 125,000 of them. There are now 20 million titles, and most bookshops carry no more than 30,000, Shatzkin says.

A reader who seeks a specific book is far less likely to find it in a store than online, where the inventory is essentially infinite. “A bookshop is not the best place to find what’s available,” Shatzkin says. “And it’s not the most convenient when a book weighs a pound or two and could just be delivered.”

Chains such as B&N and Borders were once seen as the predators themselves, squeezing out independents with their scale. B&N grew from a single store in New York in 1971 to a national chain under the ownership of Leonard Riggio and his family. But both companies were beaten by Amazon. Borders went bankrupt in 2011 and B&N ate through several chief executives in the struggle, [opening in-store cafés](#) and selling CDs and DVDs next to books.

Both B&N and Waterstones, owned by the music retailer HMV between 1998 and 2011, tried to match Amazon with heavy promotions and three-for-two offers. They used similar techniques to other retailers, such as changing stock every three weeks and employing “planograms” to ensure that the displays in all stores matched. They took “co-op” fees from publishers in return for placing top titles in the best spots. None of it worked.

Daunt watched it all sceptically from Daunt Books. “It’s how every chain bookseller in the world runs, so it’s not that Feltrinelli or Fnac or Empik is different,” he says of other big European chains. “They all operate the same way and they’re all terrible.” It was only in 2011, when the Russian billionaire [Alexander Mamut acquired Waterstones](#) for £53m, and put him in charge, that he got the chance to prove it.

It was a time of uncertainty about the future of physical books, with Amazon having [steadily upgraded its Kindle ebook](#) reader since launching it in 2007. It seemed possible that books were fated to go the way of CDs and later DVDs. Daunt himself hedged his bets in 2012 by striking a deal with Amazon to sell Kindles in Waterstones (he ended it in 2015). B&N, meanwhile, invested in its lacklustre competitor, the Nook ereader.

But the book survived. Ebooks comprised only 15 per cent of US trade book sales in February. Books are cherished as objects and even decoration, becoming the de facto backdrop of many a Zoom call during the pandemic. “You don’t need to hold a CD to listen to music, but the weights, the fonts and the paper quality are such a huge part of the book experience,” says De Leo.

Daunt’s solution to Waterstones’ troubles was simple: he ran it more like Daunt Books. It is accepted wisdom that businesses cannot be managed at scale in the same way as when small. The logistics are more complex and layers of supervision are needed. Daunt thought this made no sense for bookshops because the magic came from giving staff more autonomy.

“This is mine, and with my team I can sell the pants out of this place,” he says, glancing around his Marylebone shop. “At Waterstones and now at Barnes & Noble, you have to bring the ethos of this shop — literally this shop.”

Waterstones had become monotonous under HMV, says Kate Skipper, now the chain’s chief operating officer. “If you walked into any shop, the same thing greeted you, but what is right for Crouch End may not be right for Huddersfield.” To change tack, it not only had to trust its employees but sacrifice the £27m it was paid by publishers to promote their books the year before Daunt joined.



Before and after: in an old-style Barnes & Noble store, the focus was on promotions and two-for-one offers... © Getty Images



... whereas new stores, remodelled according to the Daunt formula, will be light, airy and built for browsing © Barnes & Noble

Switching to Daunt's strategy was financially brutal. Waterstones lost £43m in 2012 and £23m the following year. But it steadily recovered, having cut costs and empowered booksellers. It no longer had to return 25 per cent of the books foisted on it by publishers. (Returns now run at less than 5 per cent.)

"I'm not prepared to tolerate bad bookshops because I know what a good one is. If you give intelligent booksellers freedom, they will create them," Daunt says. "It may take time, but it will happen."

It was unnerving for publishers not to be able to ensure good placement for books they wanted to market heavily, but most say they were happy to exchange control for better shops. Andrew Franklin, the founder of Profile Books in the UK, says, “To have a bookseller who cares about books in charge of bookshops, rather than finance guys who know nothing about them, is incredibly reassuring.”

When he arrived at B&N in 2019, Daunt started to execute the same plan. He shed middle managers and part-timers, leaving places for some of the booksellers who had left as it shrank in the final Riggio years. “The first thing I said at Waterstones and B&N was, “This is a place for people who love books. Look in the mirror and ask if you really want to engage. If you don’t and it’s just a retail job, go and get one at Boots or Target. Just leave.””

Then came the pandemic, which closed B&N stores in spring 2020 and stopped Daunt’s weekly commute from London to New York. But closure allowed B&N to change the layout of its stores according to Daunt’s preferences. “James said, ‘Well, lo and behold, we have employees who want to work and nothing to do. It’s the perfect time to re-lay the stores,’” says Amy Fitzgerald, B&N’s senior retail director.

The stores had been arranged like libraries, with rows of shelves holding books in alphabetical order, a method that made things easy for staff and readers who knew what they were looking for, but was poor for browsing. Daunt’s formula is to mix up shelves with round tables piled with books by topic. A history area might have German literature, travel guidebooks and pop-academic studies. It is designed to make readers linger and sample, like bees around flowers.

“It’s very visual, this game,” Daunt says, pointing at a table. “I could rearrange that table to be completely dead, from a colour perspective. If you put all of the blue next to the blue, you have just become dull. You’ve got to juxtaposition, and then make the books sing off each other intellectually.”

He cares little about some aspects of a store's looks. The flagship Waterstones in Piccadilly still has old, scruffy carpet. But he is obsessed with arranging as many books as possible with covers out, on shelves angled to catch the light. "We had a great Argentine shopfitter, and I remember sitting with him and James in Piccadilly, debating the right angle for the shelves," says Luke Taylor, Waterstones' retail director.

Daunt's methods demand more of staff. B&N could employ part-timers to shelve books "by the gun" — using scanners to read barcodes. It now requires human intelligence and remembering the location of each title. "It is tougher, and we've not hidden that from anybody," Fitzgerald says. "They have to think around corners."

The US is full of shopping malls next to multi-lane highways that are very little like Marylebone High Street. But Daunt insists that mall stores can be made into more enticing places and his formula of diversity can work as well there as in the UK. "If somebody in Illinois told me how to run this shop, I would be pretty pissed off. So I'm not going to do it the other way around."

Meanwhile, B&N is opening smaller outlets on high streets. It has just reopened in Westport, Connecticut, and Best thinks there is potential to grow in bookish spots such as Brooklyn, where there are only two B&N stores. One reason for optimism is that independents are now growing again. From a low of 1,650 across the US in 2009, they reached 2,470 in 2018. "We've been very pleased with the sales performance, I'll say that," says Fitzgerald of B&N's new era.

Even with thriving sales in the pandemic, publishers were eager for bookshops to reopen. Online shopping led readers back to established authors, driving "backlist" purchases of older titles. Debut authors, particularly of fiction, suffered from the lack of booksellers reading new works and spreading the word.

The idea that bookstores might disappear horrifies publishers. "I just think that would be terrible," says Sharmaine Lovegrove, a former bookseller who is now publisher of Dialogue Books, a UK imprint of Hachette. "Readers need to be surprised, to be expressed to. They can't get that from an algorithm."

Readers need to be surprised, expressed to. They can't get that from an algorithm

Sharmaine Lovegrove, publisher

Lovegrove, one of the few black editors in UK publishing, says that bookshops are essential to encouraging diversity and dissuading publishers from simply picking authors in their own image.

“I’m always amazed there are no bookshops within 10 minutes of most publishers’ offices,” she says. “It’s only when you’ve sold Doris Lessing to a 60-year-old black man or a crime novel to a 19-year-old girl that you know readers are capable of so much more.”

But other publishers worry that Daunt now so dominates English-language bookselling that it damages titles that do not suit his formula. “He’s just too snobby, and he’s missing out on the next generation,” says one, who asked to remain anonymous. “Waterstones and Barnes & Noble need to be more of the people.”



Daunt in his first shop in 1990, where he spent the next four years fearing bankruptcy and fending off creditors: 'I found that the economics of bookshops are terrible, like shit' © Shutterstock

Daunt remains serenely certain of his approach. His doubt is whether he can keep all his bookstores going, especially in the UK. As he expands in out-of-town centres such as Fosse Park, he frets about the long-term effect of the pandemic on high streets. “We run quite a lot of marginal shops in places like Bolton, Barrow-in-Furness and Blackpool. I promise you Barrow-in-Furness does not make us money, but it seems important that it’s there.”

He speaks warmly of his shops' social importance. "Lowestoft [in Suffolk] is not the smartest town, but if you go there at four o'clock in term time, you will find teenagers sitting on the floor reading manga because it's a nice place to be. What else are they going to do if it shuts?" He is lobbying, along with others, for the UK government to eliminate business rate taxation on shops and compensate with an online sales tax that would take more from Amazon.

The question of what Daunt will do if this campaign fails brings out his tougher side. "Well, how long is [John Lewis](#) waiting?" he asks rhetorically. (The chain of UK department stores announced in April that it would close a further eight stores.) "As the leases come up, you make a decision. You don't hang around. I'm being boxed into a corner where I have to make really bad choices."

Some think that he is under more pressure to cut loss-making shops since Waterstones was taken over by Elliott, whose founder, Paul Singer, was once called "the world's most feared investor". One says, "Nobody would choose Elliott as an owner, so he has a challenge on his hands."

I'm not prepared to tolerate bad bookshops because I know what a good one is

James Daunt

dividend".

Elliott says it expects Waterstones as well as B&N to expand rather than to shrink. "We're a rational investor and if you look at it holistically, these [Waterstones] stores are good for the cohesion of communities in which we operate," says Best. "That's important to us as well." Daunt says he is content to have Elliott as an owner, but one day would like the business to be taken public, so that he could manage it "for people who just want a nice, sensible

Not that his history suggests much reluctance to take hard decisions. He has let staff go without compunction and rejected [a 2019 campaign](#), backed by authors, to make Waterstones pay its entry-level staff the minimum rate suggested by the Living Wage Foundation. The company made post-tax profits of £22.7m in 2019, but Daunt said that, while he wanted to improve pay eventually, he would not jeopardise Waterstones' finances, or reduce his leeway to pay senior employees more.

In his Marylebone shop, where it all started, where he once feared creditors coming to take it all away, I ask if it ever troubles him to be tough. “We turned Waterstones from a business suffering a catastrophe into a profitable one,” he says. “You need fewer people but the compact is you invest a decent amount in others. You get into a virtuous cycle and you end up with well-run, happy bookshops. So do I feel guilty? No, I don’t.”

John Gapper is FT Weekend business columnist

Follow [@FTMag](#) on Twitter to find out about our latest stories first.

[Copyright](#) The Financial Times Limited 2021. All rights reserved.
