

Summary

Business Description	New retail store (Upscale bookstore/café for the local reader and tourist markets)
Majority Shareholder	Contact info:
Staff	1 Owner 1 full time Buyer 1 full time General Manager 2-4 part-time cashiers 1 part time bookkeeper
Market	There are three targeted markets: <ul style="list-style-type: none">• Local residents with a weighted average income of• Visitors• Local students and young adults
Premises	Square footage:
Proposed Store Name	
Turnover	Industry standard inventory turnover of 3

Table of Contents

Vision	3
Products and Services	4
Industry Analysis	6
Competition	8
Location	15
Advertising and Promotion	17
Personnel	19
Operations	21
Legal Aspects.....	23
Finances	24
Appendices	
Appendix A - Resumes.....	27
Appendix B - Advisory Board.....	28
Appendix C - References.....	29
Appendix D - Documentation.....	30

Vision

The downtown area is experiencing a “sea change” in the local demographics and type of tourist attracted to the city. There is currently an influx of higher income households to the area, causing a shift of local retail businesses to an upscale mode. This is partly caused by the recent renovation of a museum, and with it, a shift to cultural tourism. With the change at the museum, the arrival of upscale restaurants, new development in townhouses and the construction of a new hotel in the downtown, the time is right for an upscale bookstore/café.

[This bookstore] will be a “home away from home” for locals and tourists, and will feature a living room atmosphere that encourages visitors to stay and relax or browse. With the attraction of a fireplace in the café, more people will be encouraged to visit the store in January and February, traditionally a quiet time for retail traffic in this town.

[This bookstore] will fit in well with the historic nature and interests of the area. The product choices of books, games, video and music will be targeted towards the local community, tourists, teachers and students. The store atmosphere will be closely tied to the store theme for the browser who wishes to “learn from the past to imagine the future.”

Finally, [this bookstore] will focus on the traditional strengths of the independent bookstore – personalized, friendly service, staff knowledge of a wide selection of books, and deep ties to the community. The store will become a community center and place of meeting, with opportunities for book and poetry readings, signings, book club meetings, game demonstrations and competitions, and local activities. [This bookstore] will partner with local businesses where possible and, with the help of [the town’s independent business alliance], local city government, and other downtown businesses, will become a collaborator in major city events.

The purpose of this strategic business plan sets out the financial parameters from which the business will operate.

Products and Services

The store will stock a select collection of fiction, non-fiction (printed and audio) specifically targeted toward target customers: local and out-of-town visitors to the [museum], those interested in local history, visitors to this area, and students and academia from nearby [college]. In addition, the store will supplement its book collection with similarly-themed games, video, music and software.

Books

Approximately 50% of the 3,000 square foot selling space (1,500 square feet) will be devoted to printed and audio books. The bulk of the book selection will be new books, but used and out-of-print books will also be available. [Bookstore] will focus on the following categories in order to emphasize the historical and cultural heritage of [the region] and [the town] and to differentiate itself from large retailers such as Barnes & Noble, Borders Books and Amazon.com:

Non-Fiction

Anthropology/Archeology
Art
Biography
Cooking
Geography
History
Local Interest
Mythology
Nautical
Religion
Science/Technology
Travel/Geography

Fiction

Bestsellers
Children's
Fantasy
Horror
Literature
Mystery
[Regional] writers
Science-Fiction
Western

Games

[Bookstore] will offer a selection of educational board and computer games as well as puzzles in keeping with the theme of the store and with the target audience. Examples would include chess sets, puzzles with historical or anthropological themes, or board games that re-create a historical or fictional event (e.g., Axis and Allies, Shogun, [regional events of note]). Approximately 20% of the selling space (600 square feet) will be devoted to games, which will be co-located with books carrying similar themes.

Video

The store will carry a limited selection of movies and TV series with ties to book categories and subjects (for example, the PBS Sherlock Holmes Series). Approximately 5% of the selling space (150 square feet) will be devoted to DVD and video).

Music and Audio Books

[Bookstore] will also offer a limited selection of music, primarily focused on a diverse selection of ambient, soundtrack and background music that is in keeping with the store theme. About 5% of the selling space (150 square feet) will be devoted to audio books and music, and will be grouped as appropriate throughout book sections of the store.

Gifts, Magazines, Newspapers, Cards and Supplemental Items

[Bookstore] will also carry a selection of tasteful gifts and decorations, as well as cards and supplementary book items, such as bookmarks, booklights and so forth. While these

items will only use a small portion of the store selling space, as “upselling” items they carry a high markup and a good profit return. About 5% of the selling space (150 square feet) will be devoted to these items.

Café

Approximately 450 square feet of the 3,400 square foot interior (15%) will be dedicated to the café area. This area will contain tables and seating for those who wish to browse, read, connect to the internet, relax, chat with friends or study. The café will feature hardwood floors, overstuffed chairs and couches, as well as a gas fireplace during the winter months. During the spring and summer months, there is also space available outside for 4-5 tables. The café will contain only self-serve regular and flavored coffee, initially, but I plan to expand to serve latte, espresso, scones, muffins and pasties, as well as assorted cold drinks within the first 5 years of operation.

Internet Service

The café will also feature phone line connections for those who own laptops, as well as several computers with high-speed Internet connections.

Industry Analysis

The bookselling industry has gone through a series of major transformations over the past 20 years. Most notable, of course, is the arrival of the internet and its arrival as new channel for the buying and delivery of books to homes. Amazon.com and the emergence of large (5,000 square feet+) chain retail stores such as Barnes & Noble and Borders brought volume sales of over \$5 million. The ability to deliver books in 3-4 days to almost anywhere in the continental United States proved a successful formula at Amazon.com, and the sheer selection available over the internet and in the larger stores forced chains such as B. Dalton, Waldenbooks, and the independent retailer to modify their selection, distribution and target markets in order to compete.

Despite this change, even the smaller bookseller benefited from the arrival of the internet. Smaller stores could also create websites advertising their own collections, as well as promote store events. The average consumer awareness of books rose with the arrival of Amazon and other websites devoted to booklovers, and the ability of people to recommend books over e-mail in their everyday conversation has benefited the industry as a whole. With Amazon.com's expansion into electronics and games, this same trend has continued in these other product lines.

In addition, the increase in the number of books published yearly, the boom in self-publishing, and the beginnings of electronic books and popularity in audio books are all important.

In the *Book Industry Trends 2003* report, performed by the Book Industry Study Group, a number of key findings were identified:

- **Book sales in dollars rise while unit sales are flat.** Domestic expenditures on all books are expected to reach \$36.5 billion by 2006, an increase of 14.7% over 2001. While increases in revenues are expected to rise, unit sales remain flat; increases in revenue are coming from increased prices of books. The explanation for this trend is that leisure time options such as the internet and DVDs are taking more time that have traditionally been used for reading.
- **Market share for independent bookstores has stabilized.** In highly competitive environment of mass merchants, discounters, online retailers, and publishers who sell direct, independent bookstores market share is holding steady at 15.5% for 2002, according to the Ipsos BookTrends report in 2003. This marks the fourth year of held market share and even represents a modest increase over 14.8% market shares for 2001. The Book Sense independent bookseller marketing initiative, sponsored by the ABA, is at least partially responsible for this stabilization.
- **Ipsos data suggests that sales to new customers and increased sales to existing customers are needed for real industry growth.** In 1997 60% of American households bought at least one trade book, while that number fell to 55.1% of households in 2001. Still, data gathered from 16,000 nationally represented households also indicated that each household was buying more books in 2002—shopping on average 7 times during the year and spending an average of \$25 during each visit.

- **Publishing continues to be affected by a large number of mergers and acquisitions.** Advances in technology provide more efficient ways to produce and sell books, and most of these mergers make financial sense.

Smaller independent stores have some advantage in this new competitive landscape by being able to offer friendly, more personalized service, as well as cater to the more eclectic tastes of their local community. Independent booksellers are uniquely positioned to offer community services that larger chains cannot, and can provide a tighter connection to local events. In addition, the smaller size of the independent chain ensures that a more family-like atmosphere, with staff ability to hand-pick books for local return visitors, whose tastes, over time, become well-known.

In addition, as Starbucks and other retailers have discovered, local communities are looking for a “third place” – a retreat from work, but also a chance to get out of the house and socialize with their neighbors. Local pubs often fulfill this function, as do cafes, but often forgotten is the ability for books to bring people together – to discuss ideas, to explore something new, to enjoy the company and thoughts of friends.

The 2003 ABACUS Financial Study of Independent Bookstores (sample study of 197 stores, based on 2002 operations), identified a number of key drivers that differentiate profitable bookstores from the unprofitable:

- Low profit stores were not spending the time or effort to collect “co-op” dollars from publishers (dollars provided to booksellers by publishers in return for stocking and displaying their titles)
- 1.4% of net “co-op” dollars were spent on advertising by profitable stores, as opposed to inventory of other expenditures
- Sales per selling square feet increased from \$230 in 2002 to \$302 last year, and in general, as selling square feet increase so do sales. For example a store that increased its ssf from 1,100 to 3,000 last year increased a 200% increase in sales.
- A well-run store in smaller and larger cities and communities did not seem to make a large difference in profitability
- Years in business did not seem to be a driver of profitability in general, but it was identified that stores needed to be in business at least 3 years to become profitable
- Profitable stores turned their inventory 2.27 times during the year
- Inventory turns in general, not only provided a measure of efficiency but also Return on Investment
- In isolating factors that differentiated a profitable stores from unprofitable, the primary drivers were (1) increasing sales of 9.71%, (2) decreasing expenses by 8.85% and (3) decreased COGS by 6.13%

Most recently, independent bookstores have seen a spike of hardcover sales in September of 2003 and a drop in discounted remainder sales, generally an indication of an improved economy.

Competition

During years of traveling throughout [this] area, I noticed that a number of book, music and game stores had expanded their product line by adding on such items as gifts, board games or videos. These stores did an adequate job of displaying 2-3 semi-related products, but I also noticed that many of these stores did not tie related products into a coherent market brand. In the trade, this is called "linking sidelines to categories." This prompted us to investigate a number of [these regional] stores that have begun to tie seemingly unrelated items together, but so far in only a limited fashion.

Successful Models

[Store]

- Originally [store] specialized in comic books, but expanded into music, when it discovered its primary customers were college students and young adults.
- More recently, [store] has begun to expand into movies and action figures. [store] targets young adults and college students who are familiar with the latest music trends.

HMV and Tower Records

- Originally both music stores, they expanded into selling offbeat books, memorabilia and movies.
- Both HMV and Tower Records target young adults and college students, but also cater the mass-market music buyer.

Barnes & Noble, Borders Books and Amazon

- Originally both mass market book stores, both expanded into selling music and videos, and added cafés.
- Both Barnes & Noble and Borders attempt to reach the mass market book buyer, and generally offer similar selection in each store.
- Only Amazon has expanded its market beyond the selection offered by the other two, selling software and electronics among other items (Amazon, of course, deals exclusively through the internet).

Starbucks Coffee

- Starbucks is an upscale chain of cafés, but recently expanded into selling music, trivia games and coffee accessories.
- They are known as a place to relax and spend time studying, reading or working, and often have internet access for laptop users.
- Customers of Starbucks are generally older (30+), affluent, and have time and money to spend.

The evidence for combining seemingly unrelated products geared towards a specific market has proven successful in many of the examples shown above. However, a few independent stores in the [region] area have narrowed their target audience even further to create a market niche:

[Store Name]

- This bookstore in [town] specializes in science fiction, fantasy, and horror books and games, and is able to co-exist with larger stores such as [bookstore], [college store] and the [bookstore] just around the corner.

- [Bookstore] has operated successfully in the [town] area for over 13 years and targets the genre fiction aficionado and game players

[Store Name]

- This game store just outside of [town] specializes in board games, but also carries puzzles and roleplaying games.
- They have targeted the educated, sophisticated gamer in order differentiate themselves from large mass market game stores such as Toys 'R' Us.

Local Competition and Models

Several stores in [this town] have been successful with niche marketing as well:

[Store Name]

- Originally a comic book store, [this store] has expanded into selling movies, action figures and other collectibles.
- While [this store] carries some role-playing games, the overall store selection does not intersect with [the new bookstore].
- [This store] targets a younger, adolescent audience.

[Store Name]

- This [town] store advertises itself as a cigar store, but also carries an enormous magazine section, a role-playing game section and decorative artifacts.
- [Store] targets [town] tourists, but customers include locals buying magazines, as well as adolescent gamers.

[Store Name]

- Targets adolescent card and role-playing gamers
- Principal stock is collectible card games and role-playing games, as well as a limited board game selection
- Provides tables for in-store board games

Direct Competition

[Bookstore Name]

- Closest competing bookstore is located in the outdoor [shopping area], and is approximately 1,000 square feet
- [Bookstore] targets tourist traffic along the pedestrian mall, and does business with local residents.
- Owner is very knowledgeable and either finds the books for patrons or does fast special orders
- Books are stacked precariously in tall piles, and are loosely organized; many locals state they are afraid to enter the store for fear of books falling on them.
- No seating area is available.
- Owners have stated they are going out of business within the next year, and may be willing to sell their stock.

[Bookstore Name]

- Approximately 1,500-2,000 square feet, located across from the [town's Visitor Center]
- Specializes in new age, astrology and magic studies.

[College Bookstore]

- Specializes in textbooks, but also offers T-shirts, school supplies, sportswear, and alumni products.
- Open Monday through Friday and closed on weekends

[Bookstore]

- Full-service bookstore opened in 1965, located in [town], approximately 3,000 square feet in size.
- Offers limited depth, but full-category selection of hardcover, trade and regular paperbacks.
- Nautical books are a specialty, and will do special book orders.
- Large selection of greeting cards

Barnes & Noble

- Targets the suburban mall traffic rather than the tourist and downtown traffic
- Does not participate in downtown events
- Extensive retail chain and Internet presence

Borders Books

- Store follows the traditional "big box" chain format
- Target market is similar to Barnes & Noble: suburban mall traffic
- Extensive retail chain presence

[Bookstore]

- Specializes in old, rare and out-of-print books (20,000 volumes)
- Under new ownership

[Bookstore]

- A full line bookstore on [town] featuring both new and less well-known books for children and adults.
- Will ship books.

Amazon.com

- Offers an enormous selection of books and other goods, but as an Internet-only organization, lacks the personal interaction and community of a local independent bookstore.

The Internet

Amazon.com and other big box retailers have successfully built internet models based on shipping books to customers from wholesalers directly without the overhead of holding books within brick-and-mortar facilities. While this may be a perceived advantage over independent bookstores, it is a little known fact that independent stores have access through the internet to these same wholesaler databases, and can facilitate shipping directly to customers at least as quickly as Amazon.com, with the added benefit that the money flows directly to the community where the independent is located. The Book Sense program, offered through the American Booksellers Association provides shopping cart and website building tools to independents, while Ingram Books will ship directly to customers just as Amazon.com does. In short, independents can compete on the internet with larger bookstore retailers on a level playing field.

Café and internet connections have become a standard service expected of bookstores in today's market, and [bookstore] will be no exception here. The store will offer high-quality coffee, as well as a limited selection of baked goods. Both modem and wireless hookups will be available to customers who wish to work or study within the café during business hours.

Summary

While many of these stores combine two to three related items, the review of the local competition shows that none of them have managed to combine the selling of these good into an overall shopping "experience" or combine the display of similar items. The strategy is to co-locate items of similar genre (i.e., Mystery) into one location. Therefore, a person buying a mystery book may also be persuaded into buying a mystery-based movie or game.

The café will be an excellent attraction to locals and visitors alike will attract many buyers into the store and ultimately lead to book and game purchases. Featuring simple café fare, such as coffee and baked goods, [bookstore] also plans to offer high-speed Internet connections, and a website that offers the same or better selection and delivery features of the larger internet-based booksellers.

Finally, [bookstore] will offer the community center and place of gathering that will bring life to the downtown area, continuing the trend of revitalization for the city.

Target Markets

Target markets will change drastically between the tourist and off-season times of year. According to the current owner of the [bookstore], tourist season runs roughly from Memorial Day through Halloween, while off-season runs from November 1 through to Memorial Day. His perception is that off-season traffic is traditionally slow for retail stores in [town].

I have identified a number of markets for both seasons.

Tourist Season

- “International Visitors” – These tourists have come to the [region] area from overseas and exploring historical towns outside the immediate [city] area. They are more likely to purchase souvenirs from these towns than American tourists
- “National Visitors” – Generally Americans visiting for the first time, they are primarily interested in seeing sites related to the [city event], but may also do some shopping while in town. Less likely to buy souvenirs than International Visitors, but may stop to rest and explore other related book subjects.
- “Visiting Parents” – Families with one or more children are more likely to visit the store to find books perhaps related to a subject their children are studying or to educate their own children about the significance of the area. Parents with children may also be persuaded to buy a book of their own in a traditional bookstore as opposed to a standard tourist gift shop.
- “Museum Tourists” – Visiting from as far as [city], but also arriving from [city] and other towns, they are usually visiting the featured exhibit at the museum or looking over the renovations, but may also visit other historical sites within [town] and surrounding areas.
- “Leaf Peepers” – These tourists have come north to visit the foliage in the northern areas and are visiting towns on the way. Traditionally, these tourists are visiting in the early to late fall.

2) Off-Season

- “Local Museum Visitors” – Similar to Museum Tourists, these people are less likely to be visiting from a remote destination. May be locals interested in a specialty exhibit, or a special winter exhibit sponsored by the museum to bring visitors up from [city] or down from [city] or other [region] areas.
- “Local Historians” – Those interested in deeper study of the history of the area, or general history enthusiasts, these local people are more likely to be interested in sitting for longer periods by the café fireplace chatting with friends or staff. These people are more likely to be interested in local events or readings.
- “Local Parents” – Local parents are more likely to visit a bookstore during the off-season when tourist traffic has abated, and are more likely to become involved in children’s activities such as a storytelling period. They are also more likely to be

repeat shoppers if they are able to obtain books for both themselves and their children, and perhaps visit other local families while downtown.

- “College Studiers” – While many [college] students congregate in local pubs, another segment of studies will wish to make use of “home away from home” area of the café and fireplace to study, write, log onto the internet, or meet other students.
- “Commuters” – While people who travel between [city] and [city] out to [road] on a daily basis to stop at the store during commuting hours, the high visibility of the store on the [street] thoroughfare will lead local commuters and/or their families to visit the bookstore during weekend ours.

Local residents are the key to a successful year-round business in [town]. While tourist traffic is excellent during the spring and summer months, ongoing business during the fall and winter is necessary in order for the business to thrive. With the influx of more affluent residents to [town] and the construction of high-quality townhouses, I expect this demographic to increase over the next 5 years. Local residents are also the most likely to be continuous visitors to the store during the off-season, especially with the addition of the fireplace and the homey feel of the store.

Visitors to [town], of course, may wish to augment their knowledge of the area with books about maritime trade, local authors, or current happenings in the city in addition to the attraction of the witch trials.

Finally, students from [college] will appreciate an alternate place to study or read during the winter months, and will make good use the café’s fireplace and Internet connections.

Demographics

Some basic statistics for the area, per the *Herald Media Company*:

City	Households	Population	Owner Occupied	Avg. HH Income	HH With Children	Median Age	4-Year+ Degree
[city]	15,831	40,222	59%	\$74,726	30%	39	28%
[city]	9,601	25,441	74%	\$75,578	33%	41	27%
[city]	8,561	20,505	72%	\$122,466	28%	43	54%
[city]	18,687	48,629	70%	\$67,384	32%	42	21%
[city]	17,624	40,896	46%	\$60,952	26%	37	25%
[city]	5,751	14,564	74%	\$106,307	n/a	42	44%
Average	12,676	27,474	66%	\$84,569	30%	41	33%

Local School Enrollment (Public and Private)

[college], Day	5,000
[college], Night	5,000
[city]	1,287
[city]	1,943
[city]	1,105
[city]	1,768
[city]	1,220
[city]	756

Total	18,079
-------	--------

Other statistics:

- The Park Service counts 750,000 tourists visiting [town] on a yearly basis
- 8,000 office and service workers operate within one mile of downtown
- 175 practicing lawyers within [town]
- Courthouses, law offices and post office are all less than one mile of the proposed site
- Historic mansions are located west of [street], closest to the proposed site

Location

Site

In the immediate vicinity, there are a number of notable businesses and professional offices, and new residential development, which are draws:

- *Museum*
Recently renovated and expanded, the [museum] features historical exhibits as well as both classic and modern art. The museum has traditionally attracted roughly 200,000 visitors per year. [Name], spokesman for the museum, was quoted in the [newspaper] as expecting the expanded museum to double the visitors to [town] in the first year of operation. The [museum] is located two city blocks from the bookstore site. See: [link]
(Source: [newspaper] – see Appendices)
- *College*
10,000 combined day and night students frequent the local college, with a \$15 million renovation of the central campus nearing completion. The 37.5-acre former site will be transformed into new facilities for the [certain schools within college]. The college is located 1.2 miles from the bookstore site.
- *Café*
Located directly across from the prospective bookstore site on [street], the [cafe] is a well known restaurant serving Tex-Mex food, and is recently relocated from [town].
- *[Restaurant]*
Recently opened in the renovated [building] on [street] approximately 1 block away from the proposed site, this restaurant serves to upscale clientele, and features live jazz and blues. See: [link]
- *[Pub]*
Irish pub catering to students and professional office workers, and features live folk music on weekends.
- *Post Office, Courthouses and Law Practices*
3 courthouses and the local law practices are located less than one mile from the bookstore site. 175 law offices are located in the city and, as of the 2000 U.S. Census, over 8,000 office and service workers practice within one mile of downtown
- *Townhouses*
A set of luxury townhouses opened less than one block away from the prospective bookstore site on [street]. These units have hardwood floors and fireplaces and are priced from \$279-\$459,000. As of 2003, all units except one have sold.
- *Apartments*
A large complex luxury apartments recently opened, and are less than 5 minutes walk from the commuter rail, and less than one mile of downtown. These units rent from \$1,800-\$2,200 per unit and are expected to fill to capacity in the next year. These new tenants will be located less than one mile from downtown

- *[Restaurant]*
This upscale, New York-style Italian bistro opened in 2003, and has become a popular venue for locals and visitors. Located approximately 2 blocks from the proposed site, it is busy every night of the week. See: [link]
- *Hotel*
The [hotel] will open in Spring of 2005 with 99 rooms, restaurant and meeting rooms. On the waterfront at [town]'s picturesque [town place] with adjacent marina.
- *Public Transportation*
A public bus stop is located less than one block away from the storefront, and the commuter stop is a 15-minute walk from the proposed site.

Premises

[Apartments], on the corner of [streets] in downtown is ideal for the bookstore site, in that the space is adequate (3,000 sq. feet) and is highly visible from a major parking area for the downtown pedestrian mall, and nearby to the [museum]. The building is located in the heart of the revitalization effort, and a number of new businesses (see the Site Section, above) have opened in this area.

The first floor of the building has been allocated to retail businesses, while the top floors have been dedicated to luxury condominiums. The premises also receive good morning light, as the entire side of the building on [street] is lined with windows and faces the east. This results in an attractive view for those sitting in the café. Ample parking is available.

In keeping the atmosphere of the historic district, the exterior will boast a distinctive Victorian flavor and interior atmosphere will require distinctive wood stained shelving, brass décor and carpeting. It is expected that the café will use hardwood floors, and a fireplace will be installed for winter months. Overstuffed chairs and couches will be made available in the café along with tables for study. The book section of the store will also contain individual chairs for reading, and group areas where people may meet.

Photos, Maps and Blueprints

Downtown

Location of Competition

Proposed Storefront

Region

Advertising and Promotion

Besides the inherent promotion of the store through the store's interior design, I plan to hold a number of advertising campaigns over the first year. The estimated first year's advertising budget totals approximately \$12,000, with remaining activities to be picked up by "co-op" funds provided by publishers to promote various books or authors.

Co-op Dollars

Many publishers offer two different types of "co-op" dollars: a "pool" allowance generally based on a percentage of net sales for either a fiscal or calendar year, or "exempt" co-op programs – extra funds available for different kinds of promotions regardless of purchase volume. Many publishers have special co-op programs for new accounts, and may be offered as soon as the initial purchase orders.

Pre-Opening

Description	Cost
Well-lit sign to hang from the building corner, and signage on both [streets] ([local government group] will match dollars spent on sign up to \$2,500)	\$2,500
Addition to [town] Visitor's Map and Visitor Guide	\$1,200
Total	\$3,700

Grand Opening (May, 2005)

To promote the store, the plan is to hold a weekend-long Grand Opening, with the following events:

Description	Cost
8 week run in newspaper (4-square inch ad containing "bookmark" coupon for 10% discount and free coffee	\$1,000
Direct mail containing 10% discount "bookmark" coupon and free coffee to 1,000 targets, including local homes and businesses in the 5-city region	\$800
A local, prominent author for a reading and book signing	Co-op dollars TBD
Interview with local and [city] newspapers in a feature story on the revitalization of [town]	Free
Opening press releases	Free
Total	\$1,800

Ongoing Promotion

The primary method for differentiating an independent bookstore from mass-market book retailers will be to provide friendly, personalized service to the customer, and to establish an inclusive "reach out" program that will make the bookstore a community center for the area. This will be accomplished by ensuring customers receive excellent service in a friendly, welcoming atmosphere, and by working with people from government offices, local businesses, local educational institutions and historical societies to promote the establishment of Salem as a cultural and educational center.

The café and fireplace will attract customers during winter months, and that the store atmosphere, in general, will attract new customers.

Ongoing advertising beyond the Grand Opening will include:

Mo/Yr	Description	Cost
4/05	Ad to be placed in local and regional phone books	\$369

Mo/Yr	Description	Cost
4/05	Addition to Internet phone listings under bookstores and café's in [state]	\$500
4/05	Participation in BookSense.com website program	\$2,150
4/05	Business cards and bookmarks, available at the cashier's areas	\$300
4/05	Weekly updates to window display	Operational expense
4/05	Partnership with [museum] for coordination with exhibits	Free – Robert Monk
4/05	Partnership with Chamber of Commerce and [independent business alliance] to coordinate events	Membership fees: \$250
5/05	Membership in the ABA's Book Sense Gift Card program	\$185
5/05	Listing of the bookstore in book, music and game trade publications	Membership fees: \$675
5/05	Monthly newsletter to communicate to customers coming merchandise as well as local and store events	\$800
5/05	Monthly store event – signing, book or poetry readings, music, or game demonstration	Co-op dollars TBD
5/05	Partnership with the [local attraction] to coordinate events	Free
5/05	Partnership with [local attraction] to coordinate events	Free - John Adams contact
5/05	Open invitation to local book or writing clubs needing a place to meet	Free
5/05	Open invitation to local historical societies as a place to meet	Free
5/05	Flyers distributed to [town] visitors on [shopping district] during weekends	\$75
5/05	Contact local travel guides to inform them of the store's presence and vision (Let's Go, Lonely Planet, etc.)	Free
6/05	Flyers distributed to [town] visitors on [shopping district] June-October one weekend per month	\$750
6/05	Monthly store event – signing, book or poetry readings, music, or game demonstration	Co-op dollars TBD
6/05	Children's Saturday morning storytelling begins	Volunteer readers preferably, but will pay fee of up to \$100
6/05	Summer Reading Program begins	Free
6/05	Open gaming (chess, backgammon, etc.) begins	Free
7/05	Monthly store event – signing, book or poetry readings, music, or game demonstration	Co-op dollars TBD
8/05	Monthly store event – signing, book or poetry readings, music, or game demonstration	Co-op dollars TBD
9/05	Begin periodic book donations to community educational programs	Free
9/05	"Welcome Back" flyers to be sent to [college] with discount for students	\$75
9/05	[college] outreach program, with calendar of store events (readings, demonstrations, music) to be handed out to Salem residents and [college], coinciding with [town] events	\$75
9/05	Local Educational Outreach Program, with calendar of store events to be distributed to school administration and librarians to coordinate possible in-store events and/or book fairs. Negotiate possible educational discounts for school materials.	\$75
9/05	Monthly store event – signing, book or poetry readings, music, or game demonstration	Co-op dollars TBD
10/05	Monthly store event – signing, book or poetry readings, music, or game demonstration	Co-op dollars TBD
11/05	8 week run in [regional] newspaper (4-square inch ad containing "bookmark" coupon for 10% discount and free coffee	\$1,000
11/05	Direct mail containing 10% discount and free coffee "bookmark" coupon to 1,000 targets, including local homes and businesses in the 5-city region	\$800

Mo/Yr	Description	Cost
11/05	Christmas reading program for children	Co-op dollars TBD
11/05	Monthly store event – signing, book or poetry readings, music, or game demonstration	Co-op dollars TBD
12/05	Winter book reading and in-store event schedule begins	Co-op dollars TBD
12/05	Monthly store event – signing, book or poetry readings, music, or game demonstration	Co-op dollars TBD
Total Ongoing Advertising		\$15,479
Total 2005 Advertising		\$20,979
2005 Advertising Budget		\$12,000
Minimum Co-op Dollars Needed		\$8,979

Personnel

Management

President

The store will be under the direct supervision of the majority shareholder of the S corporation, [name]. He will be responsible for the overall direction of the café and bookstore, distribute shares, hire staff, and oversee finances and operations. During store hours, he will be present to answer customer questions, take special orders, or find merchandise. When not directly busy assisting customers, [name] is responsible for policing shoplifting, maintaining displays, working with the Buyer and Marketing Director to purchase stock, and ensuring store operations are running smoothly.

[President's name], [age], has been employed for almost 7 years as a [job title and description]. In previous employment, he worked for B. Dalton bookseller, and is familiar with managing the operations of a store of this type.

[name] received his B.A. in English and Business and will continue pursuing studies to ensure his knowledge of the retail trade is current. He attended a weeklong workshop on bookselling strongly recommended by the American Bookseller's Association in March of 2004.

Principal Buyer and Marketing Director:

The Principal Buyer and Marketing Director will be responsible for purchasing of stock for the store, as well as working with [president] to execute advertising and promotional campaigns. The Marketing Director will be responsible for creating and implementing store events, overseeing promotions, and the advertising calendar. The Director will also work with [president] to coordinate with local city events as well as local businesses.

Staff

[Bookstore] will employ 2-4 additional staff to help manage stock, run the cash register, help customers, order stock, control inventory, assist with advertising and promotions and staff the café. The store will offer above minimum wage salaries and will hire full-time employees, as this will assist in developing an honest, cohesive, enthusiastic and resourceful team. Positions will include:

Bookstore Cashier

2-4 Part-Time Positions

The cashier will be responsible for taking people's purchases, ringing them in, accepting money and making change. The cashier will also be responsible for opening of the safe before the store opens, and ensuring sufficient change is ready for the business day.

Bookkeeper:

Contract Position

The store accountant will be responsible for ensuring daily receipts are reconciled, checking spending against budget, managing cash flow, preparing regular profit and loss reports and statements of financial position.

Operations

Equipment

Normal equipment for the daily maintenance of the café and bookstore will be required, and is reflected in the financial plan in the appendices. Other capital expenses include interior and exterior renovation and fixtures needed to establish the store atmosphere, and I am investigating rental or leasing arrangements of some store furniture in order to minimize start-up costs.

Store Hours

Sunday through Wednesday: 10 a.m. to 9 p.m.
Thursday through Saturday: 10 a.m. to 10 p.m.

The store will be closed on Thanksgiving and Christmas Day. Off-season hours may be altered.

Store Coverage

Contingency plans are in place to cover management of the store in the event of accident or illness. A designated backup for each person will be available on all work schedules to ensure the store is available for business during the indicated store hours.

Security

Necessary security measures for a retail store of this type will be put in place. These include a price tag detection system that alerts the store when an item passing through has not been run through the checkout process, adequate lighting around the store exterior, bolt locks for the front and rear doors, and an alarm system.

Memberships

[Bookstore] is a member of the following associations:

- ABA (American Bookseller's Association) – (<http://www.bookweb.org/aba/>)
- Book Sense (<http://www.booksense.com>)
- [Regional booksellers association] – (link)
- GAMA (Game Manufacturers Association) – (<http://www.gama.org/>)
- NARM (the National Association of Recording Merchandisers) – (<http://www.narm.com/>)
- Belissimo Coffee Infogroup (<http://www.espresso101.com>)

Suppliers

I am exploring other distributors of specialty items, and will work to establish credit arrangements with each of these groups and will research lead times for orders. Some of the distributors I am investigating contracts with are:

- Ingram Books (<http://www.ingrambookgroup.com>)
- Baker & Taylor (<http://www.btol.com>)
- Koen Book Distributors (<http://www.koen.com>)
- Alliance Games (<http://www.alliance-games.com>)
- ACD (<http://www.acdd.com>)
- Gameboard (<http://www.gameboard.com>)
- Alliance Entertainment Group (<http://www.aent.com>)
- Navarre (<http://www.navarre.com>)

For café supplies, I will work with local bakeries and wholesalers to supply coffee and baked goods.

Payroll

I am investigating the use of a payroll service, such as Peachtree, to ensure payroll taxes are paid, and to make efficient time spent on payroll activities

Legal Aspects

[Bookstore] will be opened as a subchapter S corporation in order to take advantage of the benefits conferred by such a structure:

- Liability protection
- Retention of profits
- Ability to raise funds
- Business name and logo protection
- One level of tax

The legal entity is called [corporation name], "doing business as" [Bookstore].

Planning Permission

Planning permission has been investigated with the local authorities. Necessary municipal application forms have been acquired.

Finances

Pricing

Books, games, DVDs and CDs in the store will reflect the markups that are standard in the industry locally, which are typically 40%. Specialty gifts related to the store theme and to local events will be marked up 100%. Due to the proximity of the [museum], [college] and established historical draws, emphasis will be made on tie-ins to current artistic and historical exhibits and events, as well as regional items not frequently carried by other stores in the Salem area. [Bookstore] plans to emphasize the use of discount wholesalers and remainders to maximize margins.

The estimated costs in the cash flow shown in the Appendices are based on the ABA's percentage of sales estimates for the below items. For year one, the cash flow is based on the average for Higher Profit Stores:

Profit & Loss Summaries
ABACUS Financial Survey of Independent Bookstores
- 2002 Operations -
 (based on 2002 operations)

	Lower-Profit Stores	Higher- Profit Stores	Cornerstone Books
# stores in sample: 197			
Total Sales	100.00%	100.00%	100.00%
Less: Cost of Goods Sold	60.80%	59.60%	56.50%
Gross Margin	39.20%	40.40%	43.50%
Less Expenses:			
Payroll (Total)	23.50%	19.10%	19.20%
Wages & Salaries	20.90%	16.40%	17.50%
Payroll Taxes	1.60%	1.60%	1.60%
Employee Benefits	0.90%	1.00%	TBD
Payroll Service	0.10%	0.10%	0.10%
Occupancy Expense	11.60%	6.70%	11.16%
Rent	9.30%	5.40%	9.86%
Repairs & Maintenance	0.80%	0.50%	0.50%
Utilities	1.50%	0.80%	0.80%
Advertising	3.30%	1.40%	2.00%
Telecommunications	1.10%	0.60%	0.60%
Professional Services	0.70%	0.50%	0.50%
Office Expenses	1.80%	1.20%	1.20%
Depreciation	1.80%	0.50%	0.37%
Travel & Entertainment	0.60%	0.30%	0.30%
Insurance	0.90%	0.50%	0.50%
Interest Expense	1.10%	0.30%	0.30%
Credit Card Service Charges	1.20%	1.30%	1.30%
Dues & Subscriptions	0.50%	0.30%	0.30%
Freight Out	0.80%	0.60%	TBD
Misc. Tax	0.70%	0.40%	0.40%
Web Expense	0.30%	0.20%	TBD
Other Operating Expenses	0.90%	0.90%	0.90%
Total Operating Expense	47.50%	33.40%	39.03%
Other Income/Expense	3.50%	1.40%	1.40%
Net Income Before Taxes	<u>-11.80%</u>	<u>5.60%</u>	<u>3.07%</u>

Note: Copies of the ABACUS Expanded Survey Results are available to members of the American Booksellers Association. Call 800/637-0037 or visit www.bookweb.org

Appendices

Appendix A - Resumes

Appendix B - Advisory Board

Bookstore Consulting

Donna Paz

Paz & Associates

(800) 260-8605

(904) 277-2664

www.pazbookbiz.com

Gerald DeWulf

DeWulf & Associates

(314) 965-0034

Dennis DeLorenzo

Franklin Fixtures

20 Patterson Road

West Wareham, MA 02756

(203) 231-9960

[Regional bookseller association]

Game Consulting

Scott Thorne

Castle Perilous Games

715 S. University Ave., Ste 203

Carbondale, IL. 62901-2855

(800) 297-2160

www.castleperilous.com

[Small Business Representative]

[Community Representative]

[Marketing and Sales, local SCORE chapter]

[Financial Planning]

Appendix C - References

Personal References Available Upon Request

Appendix D - Documentation

Samples of local, regional, and national newspaper articles related to independent bookstores and independent bookselling: