

Malvern Book Co-operative

- a community book shop

BUSINESS PLAN

Table of Contents

| | |
|---|----------|
| Malvern Book Co-operative: Executive Summary | 3 |
| Contextual background..... | 4 |
| Malvern Book Co-operative: The Vision..... | 4 |
| The business environment..... | 4 |
| The modern independent bookshop | 4 |
| Developing the business; achieving the vision | 4 |
| The Co-operative ethos and the Community | 5 |
| Detailed Plans and Information..... | 6 |
| Estimate of Current Worth..... | 6 |
| Survival Income | 6 |
| Owner/Manager(s) and Staffing | 6 |
| Objectives | 6 |
| SWOT Analysis | 6 |
| Sales | 8 |
| Premises, Plant, Fittings, Vehicles, etc..... | 9 |
| Pre Start Up Costs..... | 9 |
| Investment Required and Sources Of Finance | 9 |
| Cashflow Forecasts | 9 |
| Short CVs of founder members..... | 10 |

Malvern Book Co-operative: Executive Summary

Malvern Book Co-operative (MBC) is seeking to establish a book retailing business in Malvern town centre. The closure of the existing bookseller, on the retirement of the owner, has created an opportunity for a new business. Bookselling is a retail sector in some degree of flux. The growth of new channels to market for books through online sales has undermined the viability of pure book retailers. In their place have arisen a group of new businesses that use book retailing as their basis but have diversified their offer to include coffee shops and providing a venue for related literary activities. The MBC believe this model is one well suited to the demographics of Malvern.



Premises for the new shop have been secured at 2 St Ann's Road. These are light, welcoming and newly refurbished. They are on the main route from the town to the Malvern Hills and are located close to other new, aspirational retailing businesses. The premises are available from the 1st March 2012 and the plan is to open as soon as possible after this date.

The objectives of the co-operative are:

- To provide a book retail business for Malvern and the surrounding district.
- To involve the community in a co-operative enterprise
- To provide an attractive environment for retailing by providing coffee shop style facilities thereby offering customers a distinctive experience.
- To support and enable literary events and groups using the physical assets of the shop.
- To be long term financially sustainable and to provide employment.

Based on the trading figures from the recently closed bookshop initial sales of books, catering, events and merchandise have been estimated at £89,000. Sales at this level cover all costs and provide sufficient cash to service a £15,000 loan. The primary aim of the co-operative is sustainability. Any profits made will be returned to members through dividends.

Contextual background

Malvern Book Co-operative: The Vision

The overall vision for this enterprise is to develop a dynamic literary centre providing a venue for community events alongside, and supporting, a thriving commercial book centered business.

The business environment

Malvern is a town with a population of about 70,000. It is a popular place for people to retire to but also has a large proportion of its population aged under twenty because it has several boarding schools. It has grown, in size and affluence, in the past few years and the local plan is for further growth.

It is in an area of Outstanding Natural Beauty and has a strong cultural history – as a spa and as a theatrical and musical centre. It attracts about 1m visitors each year (latest figure from Malvern Hills District Council) – many for day trips or evening visits to the theatre from about a thirty mile radius, taking in South Birmingham and Cheltenham.

There has been an independent bookshop in the town for 22 years. Beacon Books, stocked a reasonably broad range of books but offered no related products or services. The shop ceased to trade in February 2012 as the current owner wished to retire. Beacon Books had a loyal following of customers showing that the people of Malvern want to support an independent bookshop

The aim of the Co-operative is to open a new bookshop in more suitable premises and to update the business model in line with practices at other successful independent booksellers. Premises have been found at the former Central Gallery. These are smaller than those used by Beacon Books but have existing kitchen and toilet facilities and are located on the primary walking route from the town centre to the Malvern Hills.

The modern independent bookshop

Independent bookselling is a sector that has seen rapid development in the last few years. In order to compete with online sales and multiple retailing chains independent booksellers have diversified their offering to include various book related, catering and event based services. The Booksellers Association and the IndieBound initiative have promoted much of this development. There are a good number of examples of this model supporting successful businesses around the country (see for example <http://www.mrbsemporium.com/>).

The Malvern Book Co-operative team is confident that by applying the diversification model to the new bookshop they will attract both the loyal customers from Beacon Books and new customers looking for a new book buying experience. Given the demographic make up of the location and the number of visitors there is huge potential to expand the business leading to a sustainably profitable, diversified book retailing business.

The formation of a co-operative to manage the enterprise is vital. The team has many more skills together than any individual within it would have alone. These skills and interests work well together. The ethos of a co-operative will promote customer engagement and loyalty by giving them a share in the business. A co-operative is seen as being the right vehicle to convey to customers and the wider community the values of the business. The bookshop has the potential to be a focus for community groups, education and social development.

Developing the business; achieving the vision

It is no longer enough to provide a traditional book retailing environment. Competition from multiples and online sales clearly makes this proposition non-viable. This means that for the

business to thrive there is a need to exploit other income generating opportunities and to diversify the income streams.

There are proven examples of bookshops diversifying into cafe/coffee shops. This diversification has benefits both in terms of generating income from non-book sales and from increasing footfall into the book retail environment. By encouraging customers to spend time in the shop there is the opportunity to target marketing at them and to generate 'impulse' purchases of books, events and related products.

Operating an independent bookshop requires more than stocking 'chart' fiction and autobiographies. Careful selection of collections of stock is needed to compete in niches where online sellers and multiples provide poor service. In addition booksellers need to respond to the growing electronic book market by developing stock in areas such as children's books, visual arts, natural history and local guides where electronic media are unattractive.

In addition there is potential to develop other market segments. Nurturing links with local schools may develop the educational market. The co-operative members have a strong background in school based education and could offer a service beyond that of the large schools based wholesale operations by providing personal advice and guidance to teachers.

Malvern has a thriving series of town-based events and there is potential to link with these to promote book sales. For example the RHS spring and autumn shows draw large numbers of people with specialist interests to stay in the town offering an opportunity for themed sales. Other potential 'tie ins' could include the Autumn in Malvern Festival, the walking festival, the Three Counties Show and the food festival. In addition the growing number of national themed weeks, for example national crime writing week, provide opportunities to piggyback sales on events that have national profiles.

In addition to national and town wide events there is an opportunity to run events centered on the shop itself. Increasingly bookshops offer events such as author talks, book signings and readings. There is no local venue offering such events even though the local demographic suggests that there would be a target market. Running events increases footfall and has the potential to increase specific sales.

The Co-operative ethos and the Community

To embed the Bookshop co-operative in the community and to promote literacy and a love of books amongst a wide target audience the shop will host local groups. For example links have already been forged with Read Easy a charity that promotes adult literacy through a paired reading scheme. The shop provides an obvious location for such an initiative, book resources for readers and the space to train volunteers.

By forging other links with local groups the aim is to host and provide a venue for 'book themed' activities. In addition to the community role of such activities the bookshop would benefit by building loyalty amongst the community of potential customers.

Detailed Plans and Information.

Estimate of Current Worth

This is a new start-up venture and as such has no current assets or liabilities. On commencement of business a lease 3 year lease on the business premises will be signed. The annual charge under the lease is £9,000. The lease has a break clause after 1 year with a 3 month notice period. Thus a liability of £11,250 to cover this commitment will be entered into at that time. The founder members of the co-operative have pledged £5,000 in total as start up capital.

Survival Income

The business as planned does not need to provide the sole income for any of its employees or investors. The business will provide paid employment for one full time equivalent manager and support staff as required.

Owner/Manager(s) and Staffing

The business is a co-operative. The founding members of the co-operative are Helen Barker, Susan Raine, Sarah Creber, Mary Herbert and Dan Herbert. There is no existing staff but we plan to take on the part-time employee from the previous bookshop. The founding members of the co-operative have a wide range of complementary skills. Dan is a qualified accountant with experience in the financial management of organisations. Three team members are qualified teachers, one in the primary sector and the others in the secondary/sixth form sector. Two members are trained librarians. The entire team is committed to both the book selling business and to the co-operative ethos that underpins this venture. More detailed CVs for the founder members are appended to this plan.

Objectives

The objectives of the co-operative are:

- To provide a book retail business for Malvern and the surrounding district.
- To involve the community in a co-operative enterprise
- To provide an attractive environment for retailing by providing coffee shop style facilities thereby offering customers a distinctive experience.
- To support and enable literary events and groups using the physical assets of the shop.
- To be long term financially sustainable and to provide employment.

SWOT Analysis

Strengths

- Proven location on the walking route to the hills from the town: significant passing tourist footfall and also close to one of the main car parks for the top part of town. Near to other attractive businesses including vintage and collectables shops, and visitor accommodation.
The business is located in a good retail location in the heart of Malvern, slightly off the main promenade but on the way to the hills. Neighbouring businesses include collectables/antique shops and several pubs. By managing the shop's stock holding to complement local businesses and target likely visitor footfall these features of the location can be exploited.
- Existing customer base (from the bookshop which has closed) and network of local traders to promote the town centre shops
Although there are no detailed records the existing shop had a number of loyal customers. The initial launch of the co-operative shop will aim to retain and involve as many of these as possible – using the local press, local advertising and the internet – blog, tweets etc. Work on developing this community of customers has begun; over 1000 people have visited the blog at malvernbookco-op.wordpress.com

- Local businesses in Malvern collaborate well to promote the town and its facilities to develop trade.
The Great Malvern Association of Traders is an active body promoting the town center and campaigning for local businesses.
- Affluent and educated area with a strong visitor base
The Malvern Hills District Council Economic Development report notes that the demographics of the town show a larger than average number of professional and higher grade managerial residents. In addition the population tends to be older than average. These groups provide obvious customers for a book seller. Visitor numbers estimated at 1m by Malvern Hills Conservators.
- Wide skill base in the team especially in finance, librarianship and education.
As noted above the co-operative team has a wide and complementary skill set. These skills and knowledge present the possibility to enhance purchasing through wide ranging knowledge and also to provide advice services to schools.
- Access to expert advice through team's wide networks
In addition to the team's skills the involvement of a wide range of people offers the chance to exploit their professional networks and local contacts. These networks include local societies, theatre, publishing, education (school/HE), local history, natural history and music.
- Flexible premises (The Central) with features making it attractive to bookselling and with room for diversifying
A key strand in the new strategy will be the provision of coffee and cake sales as a means of attracting passing trade and developing a comfortable 'feel' for the retail environment. .
- Malvern Book Co-operative has developed a good working relationship with the main wholesale book distributor who is keen to promote and retain independent book retailing in Malvern and knows the market well.
- Shared vision to make the shop central to the community and to promote literacy.
Contacts with literacy promotional schemes such as Read Easy and Quick Reads have already been made. The premises provide a good venue for hosting local groups and activities with the synergistic benefits of attracting potential customers to see what is on offer.

Opportunities

- Altered opening times to cover Sunday's and bank holidays
The previous business has very strict opening hours that did not include Sundays or Bank Holidays. Given the number of visitors to the town there is a clear opportunity to increase revenue by extending these hours.
- Sales of coffee and cakes
Attracting passing visitors by offering coffee/cakes . Ice creams. Holy Well water. The model of diversified bookshops is proven to work in similar locations.
- Development of events, book signings, themed events, reading schemes tie ins to local events
Examples – mother and toddler/children's reading groups; author visits and signings.; We will use our contacts with publishers to approach more authors so that we have a rolling programme of author events; performance poetry events (local poetry slam and author visits; themed events to tie in with theatre programme, local music societies (Concert Club, several orchestras, Three Choirs Festival) and the local music and literature festival (Autumn in Malvern)
- Links and sales to local schools
TEFL, publicity in schools, consult on stock, advisory service to teachers with recommended reading by age group/ability.
- Development of customer base through links to reading/book related groups eg. Read Easy, Malvern Storytellers, Dymock Poets etc
- Merchandising
Branded items - notebooks, mugs etc. Cards and wrapping paper. Gift bags. T-shirts. Book related merchandise – Gruffalo toys, Paddington bears; book related games – Penguin Book Chase etc., biscuits and small confectionery items in conjunction with the coffee shop.

- Creation of a community of customer members through a community share issue, targeted publicity and web communities etc.
In addition the use of co-operative memberships as a means to develop a loyal and stable customer base is central to the business plan. The use of members as a word of mouth marketing tool can help embed the shop and its services in the local economy.

Weaknesses

- Little direct retailing experience in the team except for one continuing employee from the previous shop.
The development of independent booksellers has meant that there are training opportunities and support for new retailers. Team prepared to learn, undertake training e.g. Jaffe & Neale, a successful independent book seller based in Chipping Norton offer training courses on shop management. In addition the team can make use of advice from co-ops and the Bookseller. The team have developed a good working relationship with the main wholesalers who provide an extensive information service to support independent bookshops (because their own business depends upon the success of their retail customers).
- Need to generate cash flow to cover loan finance.
The cash generation profile of the previous business is extremely seasonal with up to half of annual income being generated in the final quarter of the year. The strategy of diversifying income streams – books, schools, coffee and cake, events, membership scheme, merchandising – will mitigate this and provide a more even cash generation profile.

Threats

- Possible competition from multiples and/or new specialist retailers
The key to addressing this obvious risk is being different – being a local co-operative with a membership scheme cementing loyalty, personal service, specialist niches – local, children's, activities and events
- Online and electronic book sales
Whilst it is clear that a small independent bookseller cannot compete with the online sales of companies such as Amazon online opportunities, in a wider sense, do exist. An improved web presence and the use of social media provide opportunities to build an online community around the co-operative. The quality of service that a local store can offer also needs to be reinforced. The ability to offer next day delivery of orders and the possibility of home delivery are not well used by the current owners. The wholesalers offer extensive support in both managing stock to maximise sales and profitability and in efficient distribution. The wholesalers offer sophisticated analysis which helps ensure the right stock is held at the right time which could have a considerable impact on sales and profits. The wholesalers launched a web presence hosting sites from independent bookshops and offering free post on books delivered to the shop and collected by the customer, which we will sign up to.
- Books are discretionary spending and threatened in times of economic stress.
Diversifying into areas where the margins are bigger than in book sales (coffee, cakes, events and merchandising). Alongside this attracting footfall from groups and organisations using the shop as a venue will mitigate this risk. The demographic profile of the town also shields it from the most violent economic cyclical swings.
- Interest rate exposure
Try to fix the interest rate on the loan to provide a known cash need from the business. Maximising the equity income from community shares will have the benefit of lowering financial gearing protecting the co-operative from cyclical fluctuations in profits.

Sales

Books are purchased from wholesalers at a discount of around 40% off the full cover price. The wholesalers allow a proportion of purchases to be returned. This proportion is negotiable

but typically is around 10% of purchases. The wholesalers require evidence of trading before granting significant credit periods. No assumptions have been made in the financial projections about potential credit – all purchases have been included on a cash on delivery basis.

It is envisaged that most sales will be at the full cover price as competition on price with multiples and on-line retailers is not possible. The business strategy is based on differentiation of the retail experience rather than price competition. Members of the co-operative may be offered a small discount to encourage loyalty and to expand the membership. An annual dividend may be offered to all members in proportion to the value of transactions in the business. All sales will be on a cash basis.

The book sales projections in the financial plans are based on the known sales of Beacon Books in the last year for which accounts are available. The plan has been based on sales of half of Beacon Books sales to reflect the smaller floor area of the new business and the potential loss of customers. Sales growth has been estimated to be around 20% over the projected period.

Income from sales of food and beverages has been estimated based on a forecast of a maximum of 25 customers per day with an average spend of £2. These may be conservative estimates for peak periods such as holiday weekends.

Premises, Plant, Fittings, Vehicles, etc.

The business will operate in leased premises at 2 St Ann's Road Malvern. These premises provide approx. 40m² of retail space along with access to a toilet and some storage space. The annual lease on these premises is £9,000. The shop requires no additional investment to make it ready for use as the owners have undertaken this.

The shop requires fittings in order to display merchandise and to provide facilities to make hot drinks and sell cakes and cold snacks. In total the cost of these fittings is estimated to be £5000. The cost of IT equipment and software to manage the book stock is £1200 and will be purchased from the wholesaler. A machine for making hot drinks will be rented at a cost of £100 per month.

The business requires no other capital equipment of vehicles

Pre Start Up Costs

The initial costs of the start up have been met by donations from the founder members of the Co-operative. These costs included legal fees and alterations to the building services. Publicity and marketing activities have been provided by 'sweat capital' on the part of the team. The major costs to be met prior to commencement of trading are the shop fittings (circa £5000), the purchase of IT systems (£1200) and the initial stock for the shop (£10000).

Investment Required and Sources Of Finance

The total funding requirement to see the business through its first 3 years of trading is £25,000. In addition to the basic set up costs mentioned above the financing is required primarily for working capital. The financial goal of the business is to be debt free within the 3 year initial trading period.

Funding will be made up of a mixture of loans and equity invested by the co-operative members. £5000 of the equity has already been secured from the 5 founder members of the co-op. Further equity funding is being sought from new members of the co-operative through a community share scheme. If this additional equity fundraising is oversubscribed then loan financing will be reduced proportionately.

Cashflow Forecasts

Please see attached spreadsheets

Short CVs of founder members

Helen Barker

Personal summary/interests/what you bring to the bookshop:

I am passionate about books and cakes, and am very excited at the prospect of combining the two! I would be able to make plenty of cakes for the cafe section of the bookshop. As a primary school teacher I am very interested in fostering a lifelong love of books and reading. I enjoy enthusing children about books and would be keen to promote reading through book related activity sessions. I am also very keen to start an adult literacy scheme. I have connections with a number of schools in Malvern. I am a member of a local book group and amateur dramatic group and know a lot of people in Malvern having lived here for many years. My sporting interests include rowing, walking and cycling. I am committed to supporting small independent retailers and I am keen to contribute to the maintenance of Malvern's identity as a lively and interesting town.

Qualifications:

BA (Hons) Environmental Sciences, Post graduate Diploma in Librarianship, Post Graduate Certificate in Education.

Relevant work experience:

I have worked as a Library Assistant in Exeter City Library (1977 -78) and as a Librarian at Qinetiq in Malvern (1979 -81) and as a school librarian at a secondary school in Malvern (1985 - 1990) After initially training as a secondary school science teacher I have spent the last 21 years in primary education. I currently work as a part time class teacher at the Wyche Primary School in Malvern.

Mary Herbert

Personal summary/interests/what you bring to the bookshop:

I have a wide range of interests from natural history and geography to modern art and ceramics. I love books and they have always had a central place in my home where I have brought up 2 sons who enjoy reading. I am passionate about education having been involved with this for most of my working life. I see literacy, books and reading as a fundamental right and relish the opportunity to further this in a community venture. I have lived in Malvern for 10 years and have built up a range of local contacts in the area. I am committed to the ethos of local shopping and local community and wish to see Malvern continuing and developing as a vibrant town centre serving it's population.

Qualifications:

BSc (Hons) Agricultural Botany
MSc Plant Pathology
PGCE Secondary Education

Relevant work experience:

I am currently employed as a Biology Teacher at Hereford Sixth Form College and promote reading a range of popular non-syllabus biology books to extend the curriculum. I have teaching experience of a wide range of ages from playgroups to higher education. In addition, I have worked with community groups where I have run art/ceramic workshops and worked as an administrator for a local community transport scheme.

Susan Raine

Personal summary/interests/what you bring to the bookshop:

Love of literature (especially strong knowledge of literature on gardening, the arts, including the dance),

Expertise on music and dance

Experience of working with young people as a music teacher (also with older people returning to the piano)

Extensive local knowledge (people and places) having lived in Malvern for 32 years

Enthusiasm to support the continuance of a quality and vibrant bookshop in Malvern

Qualifications:

BA (Hons); Dip Lib

Relevant work experience:

Library Assistant (Harpenden and Malvern 1977-1980);

Book Shop Sales Assistant (Malvern 1980-82)

Cataloguing Rare Books Consultancies (Worcester Cathedral & Little Malvern Court 1983)

Self-employed Piano Teacher (1979-to date)

Census Enumerator (1991 and 2001)

Sarah Creber

Personal summary/interests/what you bring to the bookshop:

Since childhood I have loved books and Literature, I am a member of a local reading group and this has broadened my experience of contemporary literature so I think that I would be well placed to make decisions on stock, and to discuss/recommend material to customers.

I have three children who are currently at secondary school. Two of them are keen readers and they have kept me up with current trends in children's literature. I would be very keen to organise children's workshops at the bookshop for a range of activities such as writing and illustrating. I would also be particularly interested in working with children who have reading difficulties, organising activities to make the world of books more accessible to them.

I have good practical and artistic skills for shop design/window display.

I have lived in Malvern since 1988 (apart from a year spent backpacking in New Zealand, Australia and South East Asia) so I have extensive local knowledge and a good network of contacts. As well as reading I enjoy amateur dramatics and sport, in particular sailing, mountain biking and hill walking.

I have been a regular customer of Beacon Books and believe that it is vital that Malvern retains its individuality through independent retailers.

Qualifications:

BA English and Sports Studies

PGCE Physical Education 11-18

Currently Studying towards a Masters degree in Special and Inclusive Education

Relevant work experience:

I have experience of teaching young people in both Primary and Secondary Schools and have contacts within several of the Malvern schools.

In my current role as a teaching assistant at The Wyche Primary School I am able to keep up with current popular literature for this age group.

My present role has enabled me to develop my artistic skills; I am responsible for creating displays within the school environment. I have worked with children on art projects using a range of media and I believe that these skills could be valuable for running children's illustrating workshops.

Dan Herbert

Personal summary/interests/what you bring to the bookshop:

I am a qualified accountant with experience of financial reporting, management accounting and budgetary support. I am employed currently as a senior lecturer in accounting at the University of Birmingham and act as the programme director for their undergraduate accounting programmes. My research is concerned with the role of financial data in society and I have written for professional magazines and the Guardian newspaper on this subject. I am member of the Open Knowledge Foundation and contribute to their work on financial analysis.

Qualifications:

BSc (Hons) Economics and Law
Chartered Public Finance Accountant
PhD

Relevant work experience:

I have worked in a wide range of accounting and financial management roles in national and local government. Since 1998 I have taught accounting to professional students, undergraduates, postgraduates and MBA.