

The that we plan to  
create the business



The digitization of information has become a growing trend in the publishing industry as a result of technological developments that have brought about a new era in consumption and distribution of information. This development has opened previously monopolized markets and has created new avenues of sales by which innovative entrepreneurs can reach a potentially global cliental base. The development of e-books has enabled publishing companies to digitize the content of novels, text books, and journals, creating a means by which they can be distributed cheaply, instantly, and most usually repeatedly without having to continuously print new material on paper (Amazon, 2000). One of the latest trends in the e-book industry has been the conversion of school textbooks into e-books. The reasoning behind this lies with the fact that textbooks for high school and college students alike are ranked as one of the highest primary costs to achieving an education. E-book textbooks are far cheaper than their printed counterparts and far more portable as well, it is due to this that this business venture sees a potential niche market that can be created within the Colorado area.

While there are numerous e-book textbook providers the fact remains that few of them cater to a specific area. Various high schools and colleges have their own unique textbook requirements which at times are not available even on the largest of e-book providers such as Amazon. com. This business venture will focus on the Colorado market in order to create a niche market for e-book textbooks that specifically cater for the lesson plans of the various high schools and colleges in the area. By doing so, the venture will not directly compete against the larger e-book providers while at the same time will be able to become the first player in this isolated market. It is in this

particular environment that we plan to create the business venture “ eBooks eXpress”.

It will be an online -book store dedicated to supplying customers with the latest novels and textbooks at low prices available for viewing on the latest portable gadgets or computer systems.

## **Company Description**

The company will be named eBooks eXpress and it will be based in Grand Junction, Colorado. The main bulk of the business will primarily be Internet based with all sales and transactions being handled by an online system with a third party vendor handling payment processing. The website will have a function similar to that of iBooks or Amazon. com where customers can search for available titles, register for an account on an automated system, and buy items using a sales transaction and processing system.

Relying on third party vendors for the company’s payment system reduces the initial startup cost of designing and implementing an in-house system which might have initial problems in functionality. By using a system already available online for a small fee, the company reduces costs which can better serve improving site functionality. E-books sold on the site are obtained via licensing agreements with publishers wherein a scanned copy of the book is provided in order for it to be converted into a compatible format for various e-book readers (Hadro, 2010). The contract for the sales of the e-books will be done under a shared profitability agreement rather than a lump sum sales agreement. The reasoning behind this is that some contracts in the e-book industry allow e-book resellers to pay a “ lump sum” payment in order to sell

a particular e-book on their website for a predetermined period of time.

However, one potential risk for this type of contract is that the reseller may not be able to sell enough books within the given period in order to gain back the cost of the contract.

A shared profitability agreement under which the reseller and publisher share in the profits per sale is a better option for a startup. While the profits per sale are lower as compared to lump sum payment contracts, it does not incur as much financial risk resulting in an initially low profit margin but a far more stable business platform. As a result of the recent financial crisis, flexibility is a key factor that should be taken into account when starting a business. This will be the guiding strategy of this particular venture.

In accordance with this, the legal structure of the company will be that of a limited liability company (LLC) to ensure that business remains open and flexibility continues to remain an integral part of operations. Since the company is an LLC, a specific organizational structure is not needed. In Colorado a LLC can be established with just a single person being involved in the company. For eBooks eXpress we plan to operate it under a structure similar to that of a partnership. However, we will register the company as an LLC in order to gain the tax advantages that come with LLC registration. The company's vision is to ensure that schools and colleges based in Colorado access the latest novels and textbooks in form of e-books very cheaply on their computer systems and other latest portable devices. The online book store will ensure that the Colorado market caters for the lesson plans of the schools and colleges in a bid to ensure that learning in the region is not only digitized, but also made effective through the utilization of this new venture.

It is expected that the total start up cost of the company would be \$87, 854.

Due to operation expenses in running the company, the company is not projected to be break even within the first five months of operation.

However, sufficient cash inflows that can match expenses and meet profit margins are expected after one year.

## **Industry Analysis <**

Chain bookstores such as Barnes & Noble and Borders have dominated the book market for several decades. It was only within the past seven years that any form of true competition emerged to break their near oligopoly.

While small bookstores do exist, they often cannot directly compete against the branding, pricing, and services offered by such retail outlets. As a result, they usually go out of business when a major bookstore chain appears within their immediate geographic area. As a result of new developments in electronic commerce, online retail stores such as Amazon. com have broken this apparent monopoly, resulting in a shift away from traditional retail purchases and towards online buying habits. The recent bankruptcy of Borders is evidence of this trend and the effects a new business environment has on stores that are ill equipped or negligent to changes that must be incorporated into new lines of business.

Unfortunately, within the past several years, online sales of books have started to become dominated by a select group of companies such as Amazon. com due to a unique aspect of the Internet. Specifically branding, name recognition and ease of access contribute to a higher level of site visits resulting in a greater amount of sales for sites that are able to draw a high

number of visitors (Reid, 2004). While other sites are able to compete to a certain extent, the fact remains that added costs such as purchase fees, storage fees, delivery fees and taxes do cut into their profit margins which is not that much of a problem for large companies such as Amazon. com due to their larger financial infrastructure, diversified product portfolio and the fact that they can purchase specific products in bulk thus lowering the total average cost.

This state of affairs lasted for a few years till the use of e-books grew in popularity, resulting in another shift in consumer preference which created a rising demand for e-books. Today e-books sales have begun to rival and even surpass book sales to the point that entire new sets of industries and technologies have been created to take advantage of the popularity of e-books. The Kindle, iPad, Nook and various other similar readers have been touted for their ability to display e-book formats in startling clarity which is one of their biggest selling points. The e-book industry, unlike traditional bookstore chains or normal books online, has greater avenues of entry and fewer chances for monopolies to entrench themselves preventing other players from establishing their own respective niches (Tenopir, 2008). One of the reasons why the e-book industry has greater avenues of entry for potential resellers is the fact that the entire product is digitized and thus problems in relation to storage, delivery, and maintenance do not particularly matter (Microsoft, 2010). Average e-books can be as small as 1 MB or as large as 10 MB. With most web servers having terabytes of capacity, storing the documents online is a rather simple matter.

Even the smallest of resellers can rival the largest of online companies in terms of sheer variety of content. Since a single e-book can be reproduced over and over again with instantaneous delivery, costs can be kept to a minimum and thus add to a greater profit margin for the reseller. While name recognition and branding are important aspects in selling, online services such as Google Ads helps to advertise new businesses to potential customers and the sheer amount of controls, flexibility and affordability. Using such advertising services helps to further subvert potential monopolies from taking hold. Finally, social networking has proven itself to be a viable tool that large corporations are unable to fully match. Networks of friends, acquaintances, and people that a person adds to their friends list are potential customers that a person can advertise to and spread word of their business through word of mouth. Several e-commerce businesses initially started their promotion campaigns through social networking sites due to the ability of such sites to reach a large amount of individuals within a relatively short period of time.

Interestingly enough, current trends in e-book purchases are not centered on novels or fiction books but rather are concentrated more on school textbooks ranging from high school all the way to collegiate level books (Fister, 2010). The reasoning behind this is the fact that on average, high school and especially college required readings are often the most costly expenses in higher education with total costs reaching several thousand dollars over the course of high school or bachelors degree (Gilfilan & O'Rourke, 2006). It is due to this that students often try to seek alternative means of acquiring the needed text books. The advantage of e-books is that they are relatively

inexpensive and portable since hundreds could be stored in a single reader and pages that are needed for exercises could be printed. A number of sites that focus on e-book sales specializing in school books are actually increasing. The one advantage such sites have over the major companies such as Amazon. com is that e-book sites with offices located in certain areas usually contact the publishers of books that are required by students in their areas. With each college having their own curriculum and unique set of textbook requirements, major companies such as Amazon.

com are unable to fully provide for all their specific needs since they specialize more in products that appeal more to a general rather than a specific population. While in appearance, major internet sites may have a diverse collection of e-books, in reality they usually do not have the specific kinds needed by students in certain areas. If they do, it is usually a hard copy with a high price range. It is due to this that new e-book sites have started a trend where they focus primarily on marketing e-book textbooks to students within a specific area located within either the state or province that they are in so as to be able to compete directly and surpass the larger online e-book stores.

## **Target Market**

The target markets of eBook eXpress are the various high school and college students in Colorado. The reason for this is that direct competition against the vast majority of e-book providers would not be conducive to short term profit goals.



In order to attract potential customers, the business would have to conduct a significant online advertising campaign that may or may not actually work. Not only that, its own infrastructure might suffer as a result by trying to place as many popular e-books on the site as need be. Instead of trying to be a general provider of e-books, a more viable option would be to focus on specific niche markets. An emerging trend in the e-book market has been to cater to high school or college students in order to provide them with an affordable alternative to purchasing expensive hard copy books. In Colorado there are at least 67 colleges (College View, 2009) and many more high schools that eBook eXpress could service. The advantage of having an office near the targeted markets for this particular venture lies with the fact that it would otherwise be very difficult to know what specific books the various schools and colleges require for certain courses. By arranging an interview with various departments, eBooks eXpress could inform them on how their students could save money by choosing to buy e-books rather than regular books. It would be a simple matter of obtaining their various course syllabi, asking them to inform their students of alternative means of obtaining books, and finally talking to the various publishers in order to create the appropriate agreements to convert certain books into e-book format (Colorado, 2011).

As is the case with most colleges and high schools, the initial freshmen orientation class could be a good way to inform students about the products of eBooks eXpress. It would be simple to contact the school, inform them of the advantage e-books have in terms of affordability, and have them distribute a simple brochure during each freshmen orientation class which

would contain various details about the site and how students could save money by purchasing e-books rather than hard copies.

## **Competitive Analysis**

The one advantage of a niche market business strategy is that it minimizes the likelihood of direct competition from multiple competitors. While there is still some competition, it would not have been as bad should the venture have entered the general e-book market.

As mentioned earlier, the one disadvantage most e-book reseller businesses have when entering selling online is that name recognition is more important there than in traditional methods of retail. An example of this can be seen in any supermarket grocery section, while there are numerous name brands to choose from people still seem to choose relatively unknown brands because they can see them and they compare the affordability of the unknown brand with the higher prices associated with the branded one and choose to opt for the cheaper variety. The same cannot be said of the Internet where an unknown business cannot hope to attract customers since user searches are greatly influenced by URL name recognition. If a URL is unknown or is not recognized at all it would be difficult for that site to gain customers.

Not only that attempting to cater to a global audience with a relatively unknown name would be next to impossible since most people would not trust a site that is not well known. While there are relatively few barriers to entry in establishing an online store, there are barriers to continued operations in light of the requirements needed to entice people to visit a particular online store. In order to circumvent this, it would be best to focus

on a particular niche market that did not directly encompass the general market for e-books. By focusing on a particular area (Colorado) and on a specific customer set (students), eBooks eXpress would be able to focus on stocking the types of e-books (textbooks) that would be immediately needed by this specific set of customers rather than having multiple e-books on nearly every single category. An examination of various websites reveals that there is no other company online that specifically caters to supplying e-book textbooks to the population set chosen for eBooks eXpress. This presents itself as a potential opportunity to be the first business of this type to establish a foothold in this area. Direct competition comes in the form of the various bookstores and shops that are already well established as suppliers for the textbooks that the students need.

The competitors that offer similar services are Amazon, Borders, Barnes and Noble, Books A million, Abe books, Buy. com, Powell's books, A1 books, Book of the month club and Biggerbooks. Most of them are popular, have been existence for years and consumers are thus familiar with them. Examples of the book stores that are reputable and popular enough are Amazon, Borders, and Barnes and noble.

At Barnes and Noble, one can access a broad range of e-books and textbooks that with complete customer reviews. On the other hand, at Borders one can shop for CDs, books and DVDs at friendly prices while other online book stores such as Powell's books and Abe books provide both new and old books meaning there is a difference in prices between an old and a new version of the same book. Some of them like A1 books sell their books at great discounts. Therefore, the strengths of most of the competitors are they deal

in diverse products such as CDs and DVDs, offer new and old books at different costs and have great discounts. Moreover, Book of the month club offers free gift and membership (Toptenlists, 2009).

The main weakness that the competitors have is that they do not have a specific target market like in schools and colleges. This market has very unique textbook requirements that these online book stores cannot cater for. However, due to rapid advancement in technology and business, it is possible for these companies to devise strategies of reaching out to specific target markets in future. The initial problem lies with the fact that not everyone within the Grand Junction area actually possesses a portable e-book reader like an iPad or Kindle (Norris, 2010). One method of overcoming this would be to ensure that the website offers an e-book reader program that students could install on either their laptop or personal home computer so that they could download the content and print what would be necessary for the next day. Putting this into practice would encourage more students to buy content from the site; however, this still depends on the people willing to use e-books. The fact remains that when compared to books e-books require a medium by which they can be read, books on the other hand can be read as is (Noriss, 2010). While the strength of the business lies in the fact that it is able to supply a product at a far lower price than any other competitor in the area is its greatest weakness.

The environment itself is uncertain with no sure guarantee that the usage of e-book textbooks and the amount of people using portable readers is uncertain.

## **Marketing Plan and Sales Strategy**

In order to reach the target market three specific goals must be met: 1.

Students in the indicated areas have to be made aware of the products of the company. 2.

Partnerships must be developed between the various schools and the business. 3. Surveys must be done to compare student budgets with possible prices. Building Awareness. The start of the marketing plan involves students actually being aware of the e-books that the company is marketing. In order to do so, an Internet ad campaign must first be launched using Google Ad words with the criteria specifically targeting users from within the Colorado area.

By doing so, the company is able to develop a certain degree of online presence in order to draw in students who use the internet to the company website. The second aspect of this strategy involves visiting the various campuses and setting up a small ad campaign via booths during campus fairs and freshman orientations in order to properly present to the students the cost effectiveness of purchasing e-books through the company rather than buying hardcopies (Hadro, 2008). Finally, social networking will play a key role in this strategy by using Facebook social networking advertisements to specifically target users near to Grand Junction. Nearly all students utilize FaceBook in one form or another and Facebook ads can be an effective way of reaching the desired consumer population that the business is seeking to target.

Developing Partnerships. Next on the agenda would be to develop effective partnerships with local schools and colleges in order to create a possible subscription program with the venture (Wicht, 2006). Several colleges and businesses are doing so already by offering students access to various academic text books online through a specific service. What could be done in this particular case is to create an option that would allow students to visit the website and read specific books online through a special online system that would only grant access to people using the school's library computers (Friedman, 2010).

Students would be allowed to view and print content but they will not be allowed to download the book and printing would be restricted to a minimum of fifteen pages per access. By establishing a relationship with the various schools and colleges, eBooks eXpress would be able to have a lasting business partnership enabling the creation of a reliable stream of income for years to come (Cavanaugh, 2005). Conducting Surveys. Finally, in order to determine the proper pricing of e-books, what must be done is to conduct a survey in order to see what the books are worth in most bookstores and online shops and compare it to what students are actually willing to pay. By setting prices in some form of mid-level pricing, the company would be able to create an effective price structure that would encourage students to purchase e-books. During all these marketing strategies, the key message will be to inform the students on the services offered by the new company and its benefits which include cost effectiveness, efficiency and portability. Prior to launching the business, the schools and colleges will be approached through several methods such as campaigns through fairs and freshman

orientations, social networking sites to keep the students informed and through Google Ads.

By using Facebook, we can be able to see feedback from students and through the campaigns, students have an opportunity to ask questions and be answered accordingly. This will help identify the specific customer needs and make adjustments where necessary. Apart from this, the company will hire some temporary business executives who will move around all Colorado schools and colleges to sell the idea to the schools' administration and management, and request for an opportunity to address the students. About two weeks before this, the respective schools would have been emailed concerning the event and would have given a feedback. This will help to ensure that necessary preparations are made to make the whole event successful.

## **Operations**

The business will operate similar in scale to that of a partnership but under the designation of an LLC for flexibility and the tax advantages that come with it. This is because the initial budget for the business will be small and moderation is needed. The e-commerce website for the business will be developed by a web development company specializing in creating the type of websites that specifically deal with e-books. The sales and transaction portion of the site will be outsourced to a third party developer. Overall, the business will initially be run by a single individual with temporary staff hired during periods when business starts to pick up such as the beginning of every school year or semester. The sales process will begin by first using the partnerships the business has developed with high schools and colleges in

the area in order to obtain the curriculum list to find out which books the students will require for that particular year. After that come negotiations with the publishers and establishing a joint profit sharing plan for each e-book purchased. Once the contract has been set, the e-book will be uploaded onto the online e-commerce system where potential customers can download it immediately once they have paid using their debit/credit cards or PayPal account.

The entire process is fully automated with a small complaints section where users can send emails just in case something goes wrong with the system. Each order is tagged by a specific order number in order to easily trace it if something goes wrong. A vast majority of online e-commerce websites are so automated that they barely require direct human manipulation in order to properly function. It would be a great idea to adopt such a concept for eBooks eXpress so as to minimize the costs involved in hiring employees. After students paying to be able to access a given e-book, they will be allowed a contract period of one academic year for schools and one semester for colleges after which the accessibility of the e-book will be limited. This is to avoid cases of some students allowing their counterparts to continue to use their e-books when the latter have not paid for them.

In case some students will need to use an e-book such as a novel for a period exceeding one academic year or semester, they will be required to buy it again but at 5% discount per e-book. The discount will only apply for users who wish to renew their contract due to valid reasons and will be doubled after the first three years when the company is expected to have grown. The company will liaise with the school and college administration to open



accounts equal to the number of students using a given book or novel to ensure that the accounts opened are equal to the population of users of a given book.

Each account will require the student to log in using a unique code from all the others. Due to the diversity of subjects and courses offered by the institutions, some students will be allowed to access more than one e-book but each with its unique access code. To ensure that students won't be able to copy e-books and share them with other students, they will be allowed to view and print the information required though the number of pages to be printed per access will not be more than 15. In addition, the e-books will be protected from copy pasting to word and downloading. The e-books will only be accessed through school computers. During the start up, company will be operated in two offices with various facilities including a shared table, five laptops, telephone, three cell phones, a fan and five office chairs.

After the hired staff would have helped the company to be established, the company will then move on to hire a well able staff to propel its performance to greater heights.

## **Management and Organization**

Due to eBooks eXpress being run almost entirely online with most of the processes being fully automated, it would not make sense to hire an extensive management team. This is merely a small startup involving a small location and a large team would not be necessary. In order to minimize costs, fixed term employees with contracts not exceeding five months will be used.

This type of practice is actually gaining popularity in numerous states as a means to lower costs and decrease the payment of regular employee compensation such as health insurance and vacation time. The employees will include a manager, billing officer, two members of the customer support, two web developers and a computer engineer. The manager will be responsible for linking up the company with publishers of various books and with the management of schools and colleges in Colorado. The billing officer will be able to monitor and coordinate all transactions between the accounts of the users to the company's main account. The customer support's role will be to attend to any concern from the customers either through a chat window on the company website or through the phone. The web developers; role will be to make necessary adjustments to the company website and update all the softwares involved. Moreover, the computer engineer will be responsible for any software or hardware maintenance in the company. The company will operate with this team up to three years duration after which there will be need for a board of directors comprising three members for starters.

The board will also act as the advisory committee and will be able to deliberate on complex matters pertaining to the running of eBook eXpress. All the employees will be selected through interviews after advertisement of the key positions in some of Colorado's magazines and newspapers. The employees will be employed for a five months contract basis. The employees will be paid on monthly basis.

The pay will depend on the profits generated by the company. Other incentives may be given based on work performance. Additionally, the company will provide meals to all employees.

## **Long Term Development**

The long-term goal of eBook eXpress is to ensure that at least 50 percent of colleges and schools in Colorado partner with eBook eXpress and that all the students from these institutions are expected to read the school books as e-books from their school library. As the popularity of e-books continue to grow it can be realistically stated that eventually they will come to replace books as the preferred medium by which people choose to reach content from publishers. E-book readers continue to become cheaper and portable gadgets such as the iPad and HP Slate usually come with software that enables them read e-books that they've obtained online. As this trend continues and mobile readers becoming cheaper, more students will continue to buy them due to the influences of pop culture which greatly affects buying behavior.

Within the next three years the customer base of eBooks eXpress can be predicted to grow by at least 25% as the popularity of mobile readers reaches Grand Junction. Within five years, the company will have been able to expand its customer base to encompass nearly 45% of the Colorado school system. Within nine years all the students in school systems and college campuses within Colorado will have downloaded their e-book textbooks from either an eBook eXpress website or a local affiliate.

It can also be anticipated that by this time at least 50 percent of schools and Universities will have subscribed to the partnership program of eBooks eXpress in order to allow their students to read various text books from their school's library. Overall this business plan does not take into account the possibility of the regression of popularity of e-books but rather predicts they will become a standard by which students will be taught (Albanese, 2010). Various authors, publishers and teachers have stated that as technology continues to grow, so e-books will grow in popularity. They are cheap, cost effective and above all easily accessed and stored as compared to other forms of printed material.

Even the United States Library of Congress, as well as several other libraries around the world, is digitizing the content of their books to create a reliable and permanent method of storage that will not deteriorate or crumble. Within the next five to eight years it can be predicted that more and more bookstores will follow the way of Borders as a result of the preponderance of e-book usage in modern society.

## **Financials**

For eBook eXpress, cash basis accounting would be better rather than an accrual account method. The reason behind this is that under the joint profit making arrangement, the publisher gets a certain percentage for every e-book sold since cash basis accounting is excellent at tracking the actual amount of cash available, payments towards the publisher would be relatively easily and would not pose a significant problem. As for the initial financial projections, it can be assumed that for the first five months of operation it is doubtful that the company will break even with operational

expenses associated with running this type of site; however, over the course of a year with the popularity of the site picking up there should be enough cash inflow to match expenses and eventually meet acceptable profit margins (Albanese, 2007).

eBooks eXpressProposal2011(all numbers in \$000)  
Cash\$25,000  
Inventory\$10,000  
Temp Investment\$13  
Prepaid Google Ad\$1,000  
Website Development\$2,000  
Office Rent\$12,000  
Equipment\$5,000  
Furniture and Fixture\$2,000  
Website Hosting\$600  
Estimated Utilities Expense\$6,000  
Estimated Tax\$1,741  
Miscellaneous Expense\$7,500  
Salaries Expense\$15,000  
Total Start Up Cost\$87,854