

Opportunity Analysis and Research

We plan to carry out multiple methods of research, that includes surveys, focus groups, secondary research such as the Census, and utilizing the services of the Chamber of Commerce. Without knowing who our customers are and what they want, surveys will help us determine our customer demographics and identify the products that we should serve to our community. The focus groups will help us learn what potential customers like and dislike about our ideas and products. By pinpointing problems earlier in the development stages, we will also save money. Lastly, by using secondary research will save a considerable amount of time. Using third party information will help us clarify our research focus. As long as we use credible and reliable sources, then secondary research should provide us will a multitude of information.

With bookstores, they choose to serve the entire population of the geographical area they are located in. However, we choose to focus on only a couple target customer groups because we offer a variety of services and products that these particular customers may be interested in. For our 55 and older customers, we offer a quiet atmosphere and the option of our full-service coffee shop where they can read our wide variety of newspaper selection. Because there are at least six plus colleges in the Greenville, South Carolina area, we are aiming to cater to the secondary education establishments and students. Not only servicing just secondary education, but school age children is also a target customer.

Industry Analysis

According to NAICS, the bookstores are defined in terms of an “establishment primarily engaged in retailing new books”. However, bookstores can also be in the business of selling used items. Textbooks, trade books, newspapers, magazines, paperbacks, and religious books are also included in their broad range of merchandise listings. Bookstores have the classification code of

451211, with specialty stores having the code of 4512112, and college bookstores following that same number sequence with the code 4512113. Retailing books by means of online auctions, mail order and e-commerce is classified in subsector 454. Retailing used books has the classification code of 45331. However, there will be a number of factors that influence the bookstore industries successfulness.

Technology, price, merchandise selection, leisure time availability, personal disposable income continue to influence demand for goods from bookstores.

- With advances in the internet and new technological devices, consumers can buy books online for the same or lower price, instead of buying physical books. Therefore that will decrease the demand for goods in bookstores.
- As for price, if it is too high consumers will turn to online retailers. So demand for goods sold in bookstores is relatively price dependent
- The selection of books in a bookstore is another demand determinant. In books, like *The Girl With The Dragon Tattoo* series, the industry was positively affected because the published book became extremely popular. However the bookstore has no control over if it comes to print in there store.
- The amount of leisure time available is also an important factor in the demand for the industry. With less leisure time, a consumer may have less time to read a magazine.
- Most importantly, the amount of disposable income also directly affects the demand for the industry's goods. Households with higher incomes are more likely to buy books and newspapers, because they can afford it

The number of bookstores in the market, costs, technological changes, and the goals of the firm also are essential factors that influence the supply for goods from bookstores.

- As different bookstores enter the market, there is a direct effect on the amount of product that businesses are willing and able to sell. As more competition arises, there is the notion that supply will be reduced. As other bookstores, like Borders exits the industry there is room for a bigger market share with larger supply.
- Cost is another important factor that a bookstore has to consider. Being as some costs like rent, is fixed, we also have to account for the amount of money that we spend on books, paper, computers, and our café services. Those are variable costs that need to be taken into consideration for *The Black Hole Bookstore to be successful*.
- We specifically, have to take in the fact that e-readers are becoming more widely used. Technological changes like the move toward more digital books can either hurt us or help us. If we are able to think on the edge and look for opportunities with these new technological changes then we will be able to supply the customer with their needs.
- Another Important factor that influences supply is the goals of the firm. To be more specific, the goals of *The Black Hole Bookstore*. For most businesses, the goal is to maximize profits.

There are currently 22,979 bookstores in the US, to which they earn combined revenue of 17.9 billion dollars. The profit amounts to approximately 232.4 million dollars. However the industry is in a state of decline. Over the next couple years, it is expected to decline even further with revenue to decrease as well.

There will be growing external competition from online retailers, mass merchandisers, and department stores, seeing as they are already taking the consumer from traditional bookstores, due to price and convenience. New technology is also revolutionizing the way the people read books. So the demand for e-readers has been on the rise ever since. The shift toward digital books will result in fewer physical book sales.

When looking at the major market segmentation for 2012, it seems as consumer's age they are more likely to purchase the most products from bookstores. People the age of 55 and over account for over half of the revenue generated. Because they have more leisure time and more stable income, they are able to read and buy books. Many are retired as well, so that allows them to have more time for leisure activities. They are our largest target market, and the frequency at which they buy is more consistent. Since the general population is growing older, people are living to older age, so the trend toward older population will continue to increase.

Environmental Analysis

Strengths <ul style="list-style-type: none"> • Convenient location • Friendly & knowledgeable Staff • Offer café services, such as coffee, deli, sweets • Wi-Fi Capabilities • Website construction • Interest in communities • Offer variety of products • Located in college town 	Weaknesses <ul style="list-style-type: none"> • Not sure what the market in Greenville wants • Only starting with one location • Prices • Location (Is there enough demand) • Size • Depth of Titles • Volume of Books
Opportunities <ul style="list-style-type: none"> • Can take advantage of e-readers • Make an app • Offer an internet café • Offer summer reading programs for children • Growth to other cities • Offer different variety of books 	Threats <ul style="list-style-type: none"> • E-readers-tablets-online texts • Libraries (County or Collegiate) • Economy • 3-owners relationship • Direct competitors (big and local) • General Decline of readership • Online competitors (Amazon, EBay)

Some key external drivers that are likely to impact our business is per capita disposable income. People are less likely to spend money on discretionary goods like books during periods of low disposable income. External competition from substitute industries that provide similar products makes bookstores more vulnerable. These external competitors include online retailers, department stores, and mass merchandisers. Also, time spent on leisure and sports fluctuates and determine the amount of time that consumers will spend on pastimes, such as reading. Lastly, the high ratio of e-commerce sales will directly impact how well our business does.

The bookstore industry largely serves the domestic market, so there is not really any customer base in other countries.

Competitive Analysis

Competition in this industry is high. It consists of domination from independent retailers. Competition from mass merchandisers (such as Target and Wal-Mart), department stores, and online retailers (such as Amazon) has also intensified over the years. Mass merchandisers are a big competitor because of their ability to offer convenience while consumers are doing other household shopping. As for online retailers, they are considered to offer a more affordable and efficient way to purchase books from the comfort of your own home. Three of our main competitors are Barnes & Noble, Follett Higher Education Group, and Book-A-Million.

- Barnes & Noble: A leading book retailer in the US with more than 1300 stores, controlling 35.4% of the market share. They offer e-books, e-readers, trade books, paperbacks, magazines and newspapers, and they even have an e-commerce website, in which customers can order items online, find locations of their stores, and see when certain events are happening, such as book signings, at www.barnesandnoble.com

- Follett Higher Education Group: Controls 8.1% of the market share. It is the leading operator of college and university bookstores in the US. It does this through 800 stores and ecommerce websites. They operate approximately 1600 individually managed stores. They are also partners with Blackboard Inc., which offers a software application and related services that many schools and colleges alike, use in the classrooms.
- Books-A-Million: Operates 223 retail stores in the southeastern US with the addition of offering products online at www.booksamillion.com. They sell bestsellers, trade books, magazines and newspapers, hardcover, and paperbacks. Even though it is experiencing a decline in average revenue, it still controls 3.2% of the market share in the industry.

Regardless of the competition, *Black Hole Bookstores* uses their customer excellence to maintain loyal customers, and they definitely use product excellence to sustain their competitive advantage. From the Wi-Fi capabilities and café options, to newspapers and assortment of college textbooks, we offer many different authors and merchandise making it easy for each individual customer to find what they need. Whether new or used, we will have the books available in time that are necessary. Also, most employees at *Black Hole Bookstores* are very technological savvy and avid book readers; therefore the customer service is always great because it's usually someone who is knowledgeable and competent behind the counter or working the floor. If the customer is looking for a specific brand or book, there will be plenty of employees there to help them find what they need.

Globalization in this industry is very low. Major companies such as Barnes & Noble do export and import, however the revenue accounted for by international trade is relatively low. Because a majority of companies are Us-owned and earn their revenue domestically, there aren't any international competitors that have found access to our customers.

In order to outperform the competition, it is essential that we differentiate ourselves. We have to somehow incorporate a specialty or niche market and we have to use our many amenities for that to happen, because major players have made it very hard for smaller stores like us to enter the industry. With our many amenities of a bookstore and Internet Café combined into one, which could possibly make it hard for others or even block out others from entering this industry, especially as we grow into other locations.

Marketing Strategy and Plan

We plan to use our attributes of our many amenities of a bookstore and Internet Café to target our market. Our amenities include but are not limited to; our three locations, free Wi-Fi, discounted books, DVDs, book supplies, access to computer terminals for e-books/e-readers, a large/updated inventory of secondary education textbooks (as listed by local colleges), and a full service coffee shop.

In order to be profitable, our business needs to capture roughly 75% of our target market. If we capture that amount, we feel we would have succeeded our goal. The current market is still uneasy. We are convinced the economy will return to prosperity, after the upcoming Presidential election. The Black Hole Bookstore is the bookstore and Internet Café that allows the customer to not only purchase books, but access research information via e-books and e-readers. While purchasing or researching, our customer will be enjoying themselves with purchases of food and or drinks of their choice, in a comfortable environment.

Currently, our main store is located in Greenville, S.C. We plan to branch-out into two more locations in Georgia (Statesboro and Lakeland). The facility's manager will be the other two business partners.

Products/Services

The products we intend to sell are: books for all ages, discounted books, secondary

education textbooks (also available on-line), DVDs, book supplies, a wide variety of chips, sandwiches and drinks (coffee, lattes, hot chocolates, and sodas). The services we intend to provide are: free Wi-Fi, computer terminal access to e-books/e-readers, a full service coffee shop with sitting area, an in-store customer service desk, an IT help desk, and a “quite zone” for reading and research.

With our comfortable accommodations and large availability and inventory of books, our customers will feel right at home. We will provide them with a competent and well trained staff. The local college students will not be forgotten. Local colleges will provide a list of books and supplies needed for our additional inventory.

The stage of the product lifecycle our business currently falls into is the decline stage. The reason for this is because this market is characterized by a saturated product market, slow growth rate and a decline in enterprise numbers. We currently do not have any copyrights or patents. Our company believes that helping our community by providing this bookstore can improve community relations greatly. This bookstore can become that social meeting place that is much needed in these communities. We will provide summer reading programs for young kids from the local primary and elementary schools, as well as the elderly at the local convalescent homes. We will also donate used books to the same establishments. By doing what we feel will be a great deed from our communities, we would welcome any notoriety by the local chamber of commerce, schools, and businesses to be able to get the word out about our business.

Pricing

The pricing strategy we plan to implement for our business is a fixed pricing strategy. This strategy is a combination of markup pricing, volume based pricing, bundling pricing, and promotional pricing. We provide many amenities, besides selling books, such as food and drinks from a coffee shop. The gross margins we are projected to attain are based on an average of forty-seven similar book stores. The average of sales projected is \$362,399, with a gross profit

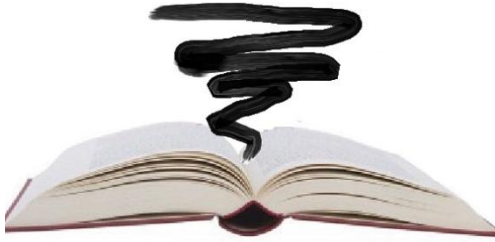
of \$151,000. This gross profit is forty-two percent of the companies counted in the analysis, with a two percent net profit after tax. Our projected inventory would be \$89,385 of our total assets of \$177,957.

Our business will establish a discount structure that would include a “soup or sandwich of the week” at a discount rate. This type of structure would be inclusive for all customers. We would also initiate discount rates on books, DVDs+, and supplies for our frequent buyers and preferred customers. We will not accept personal checks at our business, but with proper identification, we will accept credit cards. Customers will not be allowed to have a charge account. We will, however, accept a store/customer credit in the event a book is not available or there is an order discrepancy.

Promotion and Advertisement

In order to inform both our target market and the rest of the community of the Black Hole, we must ensure to promote and advertise our business to the best of our abilities. As our target market is mainly the college students of our host communities, we will distribute fliers emblazoned with our logo and pertinent business information. We will also distribute bookmarks to students on campus and around our community. Word of mouth will also help us greatly – to stimulate such buzz, we will enlist employees to wander the campus and the main streets of Greenville in Black Hole t-shirts, also with our pertinent information. Utilizing campus media such as radio, TV, and newspaper, will be our secondary channel of promotion. Also, we will set sign boards on South Main Street to catch the eye of foot traffic, as Greenville is a very walking-oriented city. As our market will expand to the community, we will need to advertise in the tri-county area. Most people that work in Greenville live outside the city in Pickens, Greenville, and Spartanburg counties. We will expand our advertisements to a 2x2 ad in the local Sunday paper and radio commercials on researched popular channels.

Marketing Materials



This is our logo, which we will attach to bookmarks, fliers, and t-shirts. We intend to trademark the logo.

Slogan

“Keep Calm and Carry On Reading” or “Not Just Another Used Bookstore”

Customer Service

Customer service is important to us at the Black Hole. We insist on a neat and clean shop with dustless shelves and at least a 90 percent on Health Inspections for our bakery. Our customers will experience such service as book-matching, a process by which employees help indecisive customers with their selections, open and friendly employees, and computer troubleshooting.

Customer Database

We ask that our customers fill out a small information sheet regarding their email address and/or mailing address and food and genre tastes. We also have an email address for suggestions, as well as a suggestion box inside the store. These access points will allow us to enjoy feedback from the customers who do not feel comfortable with discussing suggestions with the owners/operators.

Location

We plan on initially opening in Downtown Historic Greenville, SC. We will situate the shop either on Augusta Street near Fluor Field or on South Main Street between College Street and Court Street. These locations give us access to both car and foot traffic, as the city is always full of walkers, explorers, and generally interested folk. These locations also allow for easy access to attractions such as restaurants and Fluor Field, as well as novelty shops. The locations also allow for easy access for potential employees like college students or any of the tri-county residents. Issues with the location focus mainly on rent, as the locations are both within the city limits and major interest spots for other burgeoning businesses.

Our competitors for customers are mainly Mellow Mushroom, lounges and wine bars, and the park, but by portraying the Black Hole as a comfortable, easygoing environment to either study or chat, we hope to overcome the competition and make our own niche in the town.