



Financial Dynamics

How do you make money in this business?



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Subject: Help
Hello,

I opened a small new age bookstore without adequate financial resources or formal training. I am at the point of having to close the business but I don't want to. Can you help me or is it too late? I have no money and I need to move the store and get a fresh start. I would need help in writing a sound business plan and getting an unsecured loan. I didn't know of your existence 2 years ago and I tried the small business association, retired business professionals, the chamber of commerce, other bookstores (many of whom wouldn't divulge info), the library, the internet and the local banker, who assured me that he would not lend me any money without my having a second job. I actually got a second job but became so exhausted that I wound up paying store rent for 8 months without even having the store open.

Thank you
Linda

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5 Key Points You'll Learn Now

1. Top 4 costs of a bookstore business
2. How much rent you can afford
3. Critical nature of margins
4. How to estimate your break-even point
5. How to measure your performance



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ABACUS Financial Survey of Independent Bookstores



High profitability (30%)	6.9%
Middle profitability (40%)	1.8%
Low profitability (30%)	-12.4%

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It's retail!



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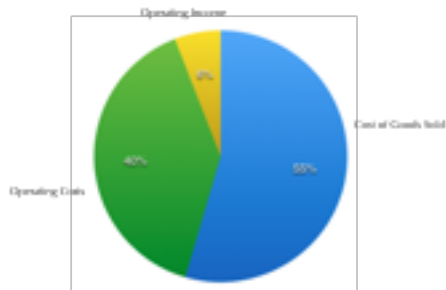
Sales, COGS & Gross Profit

Net Sales	100%
less	
Cost of Goods Sold	54.6%
equals	
Gross Profit	45.4%

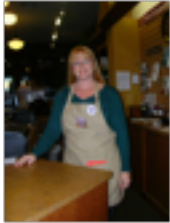


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Bookstore Sales, Costs & Profit



Payroll = 21%



- Wages & Salaries
- Payroll Taxes
- Employee Benefits
- Payroll Service
- Other Payroll Expenses

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Schedules & Assignments



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Occupancy = 8.5%

- Rent (fully loaded with property taxes, insurance, CAM, promo or marketing fee)
- Repair & Maintenance
- Utilities



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Can you afford this space?

Occupancy Costs x 10
to estimate the
sales volume
you'll need



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Marketing = 1%

Everything you do to get
customers to buy from you ...



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Marketing = 1%



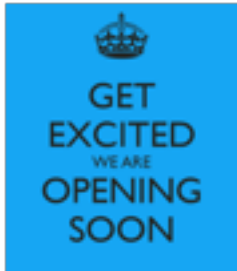
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Publisher co-op can help ...
learn about it and claim it

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Marketing brand new
bookstores ...
Budget 2.5% to 3%

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Other Operating Expenses

- Telecommunications
- Professional Services
- Depreciation – an adjustment, not an actual cash expense
- Office Expenses
- Travel & Entertainment
- Insurance
- Interest Expense – on loans
- Credit Card Services
- Dues & Subscriptions
- Freight Out – vendor returns
- Miscellaneous Taxes
- Website





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What's your #1 cost in operating a bookstore?

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The next three greatest costs?

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Be mindful ...

- COGS** - Under 58% of sales
- Payroll** - Under 20% of sales
- Occupancy** - 10% or less
- Marketing** - 2.5% to 3%, then 2% or less

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Be Careful with Customer Discounting

Limit every day customer discounting.

Discounting reduces gross margin & profits



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It's a nickel & dime business



- + Margins are tight
- + Customer discounting can kill you
- + Be obsessed with serving your target markets
- + Buy for margin, keep inventory turning
- + Aggressively market your bookstore to drive sales quickly
- + Run your bookstore as a business
