

How to Start and Run a Used Bookstore: An Owner's Perspective

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Special Preview



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Introduction

When I told my colleagues, family and friends that I was opening a used bookstore, most of them looked at me as if my hair was on fire. Many were merciless asking, “How are you going to make a living doing *that*?” I had worked in the Silicon Valley for 11 years and had a successful career in software sales. But the demands of that work gave me an ulcer before my thirtieth birthday and a burning desire (literally!) to find work that I loved.

I have always been a book worm and frequent used book stores at every opportunity. While I was wracking my brain looking for ideas to get me out of the high stress of corporate America, it suddenly occurred to me that I would love to run my own used bookstore.

I immediately began to research bookselling and found it difficult to locate information. I was taking a big risk and wanted to be completely sure I was making the right decision. I spent countless hours surfing the internet, gathering articles, collecting resources and consuming information. I spent more than a year writing a business plan (while still working full time). I also began acquiring books and selling them online through Amazon.com and eBay in an effort to understand the book industry.

My research prepared me to get started, but reality has provided the best education. Throughout this guide I will share my story with you—what has and hasn't worked for me and how you can follow the same course.

The Reality of Ownership

Owning a used bookstore is a dream of many book loving individuals, known as “bibliophiles” in the industry. Some see it as a great option for retirement income or as a laid-back business that is easy to run. While there are many advantages, you may not realize that running a used bookstore requires a heck of a lot of work.

The demands of a retail store can be great and the hours overwhelming. A successful shop must keep operating hours that cater to the public. Owners don't have the luxury of closing up and going home with a headache or calling in sick (unless of course there are employees to cover the shift).

Customers expect businesses to be open during peak hours and will complain if your store isn't open when they want to be there. This includes holidays, weekends, and the day after big holidays (the day after Thanksgiving is the biggest shopping day of the year). Holidays can present a challenge with staffing since employees may also want the day off and often times the owner is stuck working the busiest days. Of course this is true no matter what kind of business you own.

Pricing and shelving books is time consuming work and can be physically demanding. As the owner, you will have to manage other business demands including bills, customer phone calls, vendors and odd requests. You will also inevitably end up with overstock, whether from books abandoned by customers or when you have too many copies of Tom Clancy's paperbacks. This means that you will be hauling books around and storing them until you can donate them to charity (which is a tax write off so it's not a total loss).

The Perks of Bookstore Ownership

If you like to read, you will have an endless selection of choices and as the store owner, you get first pick of the new inventory that comes in daily from your customers. You will also have a steady flow of regular customers and should quickly get to know them by name. If you are a social person, this can be a fun part of running this kind of business.

The financial benefits are also possible, though most will tell you that you won't get rich owning a bookstore. But if big money is your goal, there are many ways to generate revenues in addition to used book sales. You can ramp up your cash flow by selling gifts, greeting cards, music CDs, coffee, or other products. You might also consider offering audio book rentals, selling books on the internet, or opening multiple locations. The possibilities are limitless and the overall success is in your hands.

The bottom line is that your store is your business and you can run the show any way that you want. If there is a lot of competition where you live, you will need to be at the top of your game. Your store needs to do it differently or better than your competitors.

I read somewhere that it takes a full three years for a used bookstore to become full established. At the time I thought that seemed outrageous, but I have found it to be true. Keep this in mind when developing your plan. Once your store is open, you should see a steady increase in sales each month for the first three years. You can accelerate the timeline by marketing the heck out of your store and developing customer loyalty from day one.

Whether you are interested in running your store as a family business, or hiring help and creating a passive income business, a used bookstore can be a wonderful choice. Your efforts will be helped if you have a true passion for books. If you don't, the work could end up feeling like drudgery—but this is true of any business you start.

I love my store. I don't work there as often anymore because I have a wonderful staff and they allow me to divide my time between managing my online business (www.BusinessInfoGuide.com, a directory of resources for entrepreneurs) and writing books. It was difficult to cut my hours back and let the employees run the

show. But they love the store almost as much as I do so it has worked out well for all involved.

My best advice for you is to take your time planning your business. You will be surprised by how much fear is removed from the equation when you are fully prepared for what lies ahead. I will never forget the day I quit my job. I was more nervous about letting my boss down than walking away from my paycheck. I was calm with my decision because I had done my homework and felt confident that I knew what I was getting myself into. I drove home from my last day of work in corporate America feeling elated.

If I had to pick the most important element of your plan it would be money—make sure you have enough of it. Running out of capital is one of the leading reasons for business failure. Have a backup plan for cash, and a backup for your backup plan. Hope you never have to use it, but have it available just in case.

Every store is different. Yours could be profitable right away, but it may take time—even more time than you expect. I know one bookstore owner who had to take a side job in order to keep his business afloat during the difficult early years. I'm not sure exactly why this was necessary for him, but my guess is that he didn't have enough cash built into his overall plan.

If you're looking for an easy business, the reality is that there is no such thing. But if you are looking for a demanding and rewarding business, then owning a bookstore definitely fits the profile.

I hope this book saves you the countless hours of research and planning and gets you prepared for a great adventure.

Wishing you much success,

-Stephanie Chandler

Location, Location, Location

Location is an issue for many businesses and bookstores are no exception. When I opened Book Lovers, I settled on a rather inconvenient location in a shopping center that doesn't generate a lot of foot traffic. Here's your chance to learn from my mistakes! What I saved in rent I had to spend on advertising to make up for it. If you can locate your store in a shopping center with an anchor store (a large supermarket or department store), you will be more likely to get foot traffic from day one. Of course these locations are more expensive so you have to calculate the numbers in your business plan and make sure it will work for you.

Used bookstores are primarily a neighborhood destination. Your main customer base will come from a five or ten mile radius so it's important to be located in a densely populated neighborhood. If your store is special enough or you're the only used bookstore for miles, you could draw customers from other cities, but your loyal, regular customers are going to live in the neighborhood and become the bread and butter of your store.

If the rents aren't reasonable in the big shopping centers near you, then look to smaller strip malls. Ideally you want to be located near a complimentary business or one that generates lots of local traffic, such as a coffee shop. Make sure to evaluate the street visibility, access to parking and how easy it will be for customers to get to you.

Areas with higher than average income levels are worth considering since the residents are likely to be educated and therefore, readers. Colleges, schools, and retirement communities can also bring readers your way.

Commercial Leases

When it comes to leasing space, I strongly suggest enlisting some professional help. Too many business owners take this on themselves and end up frustrated in the process. While there are "For Lease" signs posted on buildings across America with phone numbers that make it easy to simply dial from your cell phone when you drive by, this is not the best way to go. Find a commercial Realtor—a good one that you like and respect—and have her assist you in finding a space and negotiating your lease.

Without your own representation, you will deal with the Realtor or property manager that represents the property owner and you will have to look out for your own best interests. If you have a strong personality or a sales background, this may not seem like a major obstacle, but you will be dealing with all new terminology, conditions, and contracts you have never encountered before.

Your Realtor shouldn't charge you a fee. Her fees should be paid by the property owner upon closing so it will cost you nothing to have the benefit of her expertise. A good Realtor has the advantage of experience and can tell you the pros and cons of different neighborhoods and buildings. While you should ultimately decide what you are willing to negotiate, a professional Realtor will handle the negotiations and will help you review the contract details.

Also be prepared to view a lot of properties before you make your decision. Many business owners will tell you that it takes time to find the right location that meets the needs of your business and your budget. Viewing a lot of properties will also help you compare and contrast your options. But try not to get too emotionally attached to a property. This could cause you to agree to terms that you wouldn't otherwise want to accept—such as a lease that is longer in duration than you want or rent that is higher than your budget calls for.



Location Assessment Worksheet

Use this worksheet to assess each location that you see. After you look at several different properties, the features will begin to run together. This worksheet will help make your evaluation process easier.

Name of Building/Shopping Center:	
Address:	
Cross Street:	
Anchor Store/Nearby Businesses:	
Utilities Included?	
Average Operating Hours of Neighboring Businesses:	
Security?	
Parking Availability, Cost, and Proximity:	
Proximity to Competition:	
Storage Area Size & Description	
Kitchen Area Detail:	
Bathroom Area Detail:	
Back Office Area Detail:	
General Description of Property:	
Color and Condition of Flooring:	
Any Fixtures Included?	
Repairs/Improvements Needed?	

Location Assessment Worksheet – Part Two

Freeway Access?		Public Transit Access?	
Square Footage:		Foot Traffic?	
Price:		NNN/CAM Charges?	
Street Visibility?		Marquee Signage?	
Central Heat?		Central A/C?	
Age of Roof:		Building Last Painted:	

Additional Questions to Ask:

Notes:

Section 7

Operations Procedures

Trade Policy

One advantage that a used bookstore has over other retail businesses is that you don't have to spend a lot of money on inventory once your store opens. Your customers should replenish your inventory through your book trade policy.

A trade policy allows customers to bring in their used books in exchange for credit toward other used books. The rate of credit offered varies greatly from store to store and city to city so you should check your competition to see what their policies are and offer something similar.

Some stores offer to buy books for cash. Whether or not you decide to do this is up to you. If your competition is doing this, you may feel forced to implement this policy. We currently do not buy books for cash since we have no shortage of books and most of our competitors don't offer this service.

Trade credit can be tracked in a number of ways. We track our credit accounts on 3x5 cards. The customer name and phone number is listed along the top line and the credit is tracked along with the date of each visit. We keep the card on file and customers simply give us their names when they come in to shop. Given the advances in technology, this is a rather old style method for tracking credit, but it works just fine.

Some stores track credit information on the computer. Others write up a credit slip and make the customer responsible for hanging onto it. Again, choose a system that works best for you.

How much credit you issue can also depend on the policies of other stores in your area. We offer 25% of retail price in credit and require customers to pay for half of their purchases in cash. For example, a customer who wants to buy a \$4 book can apply \$2 in credit and must pay \$2 in cash. This is a great way to ensure steady cash flow.

Some stores offer pure credit exchanges and do not require customers to pay cash. This seems to be more common in stores that are well established and have been open for 10+ years. When I first opened the store I offered pure credit trades but quickly felt like I was running a library instead of a business. Implementing the ½ cash, ½ credit policy has made a world of difference in the revenues and cash flow. Most customers understand this policy. If you encounter people who don't, simply explain that you are running a business and have to pay for its expenses. That usually turns the situation around.

Make sure your credit policy is very clear. Some stores only allow trades in the same genre. For example, someone who brings in romance books can only use their credit toward other romance books. In my opinion, this policy is a bit too complicated to manage. We simply limit credit and make it valid only toward other used books. Credit is not valid toward other merchandise, such as greeting cards or gifts. We also mark certain new or collectible books as cash-only.

The one genre we do separate is audio books. People who trade in audios can use the credit toward other audios, but regular book credit cannot be used toward audios. We keep a separate card for each customer who trades in audio books.

It's a good idea to type up your complete trade policy and post it in the window of your store. We print small fliers that outline the basics of our policy so we don't have to repeat it over and over and so we know that the rules are clear. Here it is:

Book Lovers Bookstore Book Trade Policy Overview

Credit can be redeemed at a rate of half cash/half credit. For example, to buy a \$4.00 book, you can apply \$2.00 in credit and must pay \$2.00 in cash, plus tax.

Credit is valid toward other used books, except collectibles and books with orange price stickers.

Credit is NOT valid toward other types of merchandise in the store (cards, gifts, bookmarks, audio books-unless audio books are traded). Credit is kept on file at Book Lovers.

Book Lovers accepts gently-used books in most genres. We do not accept Harlequin series books, book club editions, Reader's Digest books, text books (home school books okay) or any books in poor condition. Books accepted are at the discretion of the bookstore representative.

Book Lovers typically gives 25% of the cover price in credit. This price may vary at store representative's discretion.

**Complete trade policy is posted in the store. Policy is subject to change.*

Condition

Books will come in your doors in all states of wear. I once had a guy bring in a box of books that was clearly stored in his garage—it was full of bugs! I promptly told him to take them outside.

When you first open the store, it will be tempting to accept every single book into inventory in order to fill the shelves. But your shelves will fill quickly and as time goes by, you will notice that some books won't sell. Here are some things to watch for when it comes to the condition of books:

- ✓ Hardcover should have dust jackets unless they are rare or collectible (though missing dust jackets will diminish their value).
- ✓ Ex-library books, the ones removed from circulation at the library, are usually full of library stamps and information. Again, unless they are rare books, you

should probably pass on these.

- ✓ Out-dated books such as “Finances for the ‘80’s” or “Hot Hair Styles” printed in the 1970’s will do nothing but take up space on your shelves.
- ✓ Loose bindings, musty-smelling tomes, and water damaged books aren’t going to be hot sellers.
- ✓ There are two genres where condition is far less important: Western and Science Fiction. Readers of these books don’t seem to mind if the paperbacks are worn and tattered, they are just happy to find these books. These are also two of the genres that are most difficult to acquire since these readers tend to keep their books forever. Eagerly accept any books from these genres, including book club editions.

About the Author

Stephanie Chandler is the author of *"The Business Startup Checklist and Planning Guide: Seize Your Entrepreneurial Dreams!"* and *"From Entrepreneur to Infopreneur: Make Money with Books, eBooks, and Information Products."* She is the founder of Book Lovers Bookstore (www.BookLoversCafe.com) in Sacramento, CA and also runs www.BusinessInfoGuide.com, a directory of resources for entrepreneurs.



In addition to running two successful businesses, Stephanie has published hundreds of articles in a variety of publications, and is a frequent speaker at business events and on the radio.

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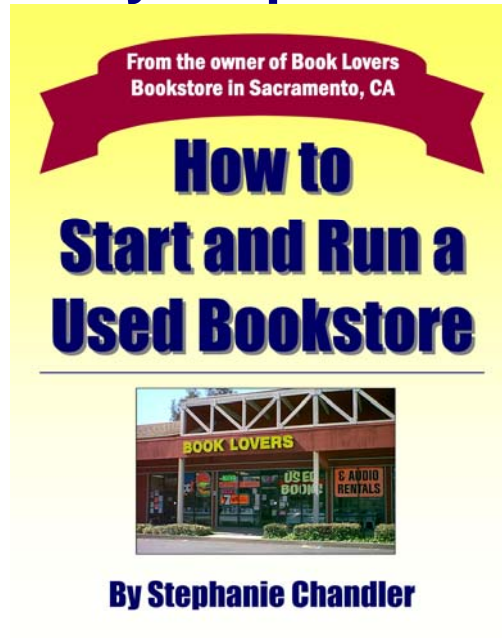
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