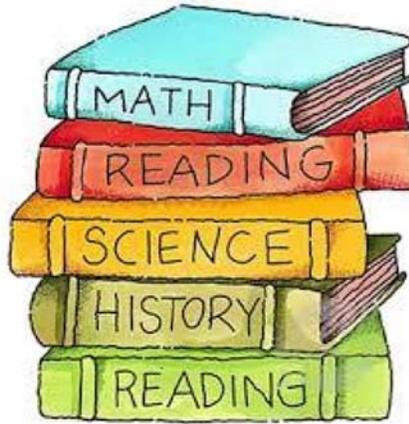


Bookshop Business Quick Market Survey



The Bigger Picture

 Since 2003 when the free primary education was started the Government releases an average of Kshs. Sh2 billion for buying educational materials. About 25 per cent or Sh500 million is allocated for text books.

 Government allocation per child has more or less remained constant since 2003.

 A primary school child in a public school receives Kshs.1020 per year. Kshs.670 is used to buy textbooks, stationery and other education material. .

 Kshs. 350 per child per year – supports repairs, local transport for teachers and pupils as well as workers' pay.

 There are about 9 million pupils in the free primary education programme.

 On average 1.2 million children have been joining primary schools for the last 4 years.

 In the 2013 second term disbursement Kshs.48 was allocated to textbooks & Kshs.72 to exercise books. Kshs. 21 was for supplementary reference material. Kshs.14 for pencils and Kshs.4 allocated to dusters and chalks

 A secondary school children in the free secondary primary receives Kshs. 10,265. Kshs. 2,971 is used for textbooks, stationery and other instruction material.

 There are about 6300 schools and almost 2 million students in the free secondary education programme.

 Government accounts for 80 % of book purchases under FPE.

 In September 2013 the Government introduced VAT on books. This raised retail prices of books by about 14 % without a proportionate increase in the amount allocated to schools for books. Thus the purchasing power of schools has been reduced, and they are asking parents to purchase more books for their children.

 There are several estimates of the value of the Kenyan publishing industry. One industrial estimate puts the value of the Publishing Industry at Kshs.12 billion, with the share of textbooks being 95%.

 Longhorn Publishers the only publicly listed publishing house report a half year increase in profits from Kshs.16.9m to Kshs.30.1 million for the 6 months ending December 2013. Growth attributed to expansion of market in Uganda, Malawi, Tanzania and Rwanda.

 **In February 2014 Kenya's inflation rate reduced to**

 Middle class in this case is as defined by Kenya National Bureau of Statistics as those earning between Ksh. Sh23, 670 and Ksh 199,999 per month.

 Don't gauge the viability of the business based on the bigger picture only, local conditions in your potential area of operation will determine whether the business can succeed or fail.

Capital Process and Equipment

Licenses

- No special license is required to start bookshops. So only the county trade license which costs between Kshs.3000 & Kshs.10, 000 depending on county and location within the county.
- **HINT:** If you plan to supply books to schools either through bidding for tenders or through sourcing by schools it's advisable to register your business and also join the Kenya Booksellers and Stationers Association. Membership automatically puts you in the list of approved booksellers contained in the Orange Book. See KSBA contacts below. Registration of businesses and companies is done at the attorney general chambers and costs Kshs.800 after a name search which costs Kshs.100 per name.

Stocking

 If you are targeting schools, parents and students, which will make about 85% of the purchases in a medium sized bookshop the first thing is to acquire the Orange Book. (We have attached it, but you can get it at the ministry of education website ,www.education.go.ke ,)

 The book contains a list of books recommended by the Kenya Institute of Curriculum Development for each level: ECDE, primary, secondary and colleges. Other than formal text books the list includes supplementary readers such as storybooks.

 Schools and parents for that matter purchase of books based on The Orange book. There are over 1000 different titles. With limited capital it might not be possible to stock enough of each book on the list. What most bookshops do is look at the dynamics in their area of operation such as the number of primary and secondary schools, and stock accordingly. There are fast moving books like set books, revision books, instructional books and reference books like dictionaries which are bought in plenty in January and February.

 Some booksellers only stock enough to sell on retail to individuals and buy in bulk when they win a tender or receive an order from a school. This frees capital.

 Other than text books there is a variety of stationery such as exercise books and pencils which are fast moving and needed in schools.

Tendering For Schools

 Government procurement rules dictate that schools should only tender for books/ stationery worth over Kshs.500, 000, otherwise they should request for quotations from reliable book sellers. Presently ‘reliable’ means booksellers who are members of the Kenya Booksellers and Stationers Association , and listed in The Orange book

 Many institutions ignore the minimum amount rule and tender even for items worth lesser amounts. The advantage of tendering to the institutions is that the school charges a non refundable tendering fee which average Kshs.3000. And instead of tendering for textbooks

and stationery at the same time, they float two separate tenders, and charge the tendering fee for both.

-  Still there are quite a high number of schools which invite quotations from booksellers.
-  Though the government has issued procurement guidelines and code of ethics for both publishers and booksellers there are often disregarded. Hence a lot of lobbying is involved in the process. Price, discounts, additions, a cut for the head teacher etc are used to win over schools.
-  In some areas head teachers are said to own bookshops directly or through proxies, which they factor when procuring.
-  There are many briefcase 'bookshops' involved in supplying books to schools. Though the procurement guidelines require that a supplier to have a physical location some easily go round the requirement by using temporary offices or those of friends in other business. Since the briefcase bookshops don't have many operating costs such as rent and employees they are able to offer schools much lower prices than formal bookshops. Also some of them being perennial 'freelance' suppliers, supplying anything to anyone they have large amount of cash which enables them to buy in huge volumes from publishers, in the process enjoying huge quantity discounts. These are then passed on to schools either through lower prices or extras. Many of these also purchase books only after securing orders from schools, which means they have much more capital circulating.
-  The Orange Book contains the maximum price that a school should buy a book.
-  Some bookshops employ salesmen on commission to lobby schools. This works if the deal you are offering is better than what have presently. So there is a big advantage in approaching schools, rather than waiting for them to come to you.
-  Schools largely depend on the government for cash. If a bookshop supplies to a school, and the school is yet to receive funds from the government then the bookshop has to wait until the money comes through. Sometimes the school has received the money but bureaucracy and longer credit periods mean that there might be delays in payment. There are cases where there were delays of up to six months.

Starting Procedure

-  Identifying Location
-  Identify market dynamics in the area – Colleges/Secondary/ High school
-  Identify suppliers
-  License, stock and start

Equipment

-  Book shelves – Cost will depend on size but averages Kshs.6000 for a small bookstore
-  Display
-  Chairs
-  Point of Sale System

Rent

 Depending on when you start the business and how you are able to conquer the market, it may take up to 1 year to break even. Therefore it's important to budget for up to 1 year rent.

Suppliers

 Depending on the quantity you want to stock with you can purchase directly from publishers or from wholesalers. The advantage of purchasing from wholesalers is that one is able to buy relatively smaller quantities, thus you are able to have a wide variety of items. For instance there are wholesalers where you can buy as few as 5 or 10 books. The disadvantage is that your margins may be reduced by up to 10 %.

 Once you become an established bookshop purchasing regularly and 'enough' numbers then you can open an account with them and enjoy credit facilities.

 Once you start salespeople from publishers and book distributors will approach with offers, and you can leverage on that.

Publishers

Kindly refer to the appendix of the attached Orange Book for a complete list of publishers and booksellers. However below are the contacts of two widely used wholesalers:

1. Laxmi Booksellers and Stationers Ltd

P.O.Box 8678-00300 Nairobi Tel:

020 2216385

0720 350222 / 0734 140500

2. Text Book Center Limited

(Branches in Nairobi and Kakamega)

P.O.Box 47540, 00100

Nairobi, Kenya

020 310699

0722 560580 / 0733 699991

admin@tbc.co.ke www.textbookcenter.com

There are many stationery wholesalers located in Nairobi along Cross Road of Kirinyaga road which offer some of the best prices in town. Prices differ between the various wholesalers and its advisable to shop around for the best , but here are 2 popular ones:

Guaca Stationers Ltd

*Head Office, Guaca Stationers,
Kirinyaga Rd, City Centre,
P.O. Box 12209-00400, Nairobi,
0722 208866 / 020 2244046*

Sai Office Supplies

Weruga Lane, Haile Selassie Avenue

Behind Railway Station

P.O Box 61663 - 00200, Nairobi, Kenya

Tel : +254-20-2220800, 2095555

Mobile: 0733 726020, 0726 610510

Email : info@sai.ramco-group.com

Website: www.sai-office.com

Independent Importers of Books

There are numerous independent importers and distributors of new and second hand books. Some advertise in the newspapers and the internet. These include:

Gabby Books Ltd

This focuses more on academic books

www.gabbybooks.co.ke

Tel: 0722 551 749

The Booksellers Association

It's a big advantage to join the association. To start with your bookshop will be listed in the Orange Book among those recommended in a particular region. See index for joining details.

Kenya Booksellers & Stationers Association

P.O.Box: 32413-00100

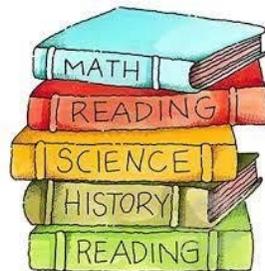
Nairobi Nairobi

Shankardass Hse, 3rd Flr, Moi Ave, Nairobi

(254) 202240133

Capital

A basic bookshop with a physical address can start with a capital of Kshs.100, 000. Ideal capital to stock a wide variety of books and stationery would be about Ksh.500, 000.



Revenue

Sample Data: Average Wholesale & Retail Prices of a bookshop on the outskirts of Thika. The owner purchases textbooks from wholesalers including Text Book Center & Laxmii Booksellers.

Title	Wholesale Price	Retail Price
Primary Social Studies	300	350
Let's Learn Maths	300	340
Primary Science	290	346
Topmark KCPE Revision Series	420	500
Secondary Maths Form 1	320	370
Excelling in English	416	495
Secondary Chemistry	210	246
Secondary Biology	215	250
Highflyer series	300	450
Think Big – Ben Carson	270	350
Oxford Geometrical Set	180	290

Revenue Averages

Average Margins New Textbook	25 % - This mostly applies if a bookshop purchases directly from the publishers who offer generous quantity discounts.
Revenue Range	15% - 35% . The lower amounts apply if you purchase from book distributors, while the higher amounts apply if you purchase from publishers directly. Different publishers have

	different terms and conditions and varying discounts and margins.
Average Margins Second Hand Books	40 %
Margin Range Stationery	18% -30%
Average No of books sold in a day by a formal bookshop[(county & sub county headquarters)	16
Average Monthly Revenue county headquarters (not profit)	46,000
Average Monthly Revenue Sub County	29,000

Revenue oscillates with the highest sales happening in January / February then May and September.

Fastest selling books – Revision books, Set books, Motivational books

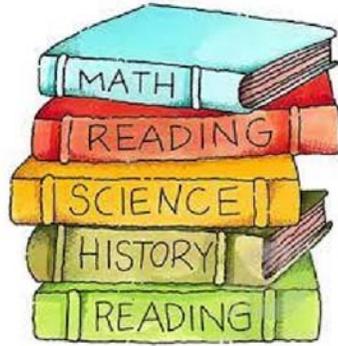
Pricing

Average Revenue – Monthly for the January/ February season	46% more than that of other months
Average no of novels books sold by a street vendor in a day (Nairobi)	19
Highest recorded no of novels books sold by a street vendor in a day (Nairobi)	304
Average no of textbooks sold by a street vendor in a day	8
Highest recorded no of textbooks sold by a street vendor in a day	33
Average Break Even Point	Months

For most locally published text books publishers, publisher a price and give sell them in wholesale for between 65% & 75 % of cover price. Otherwise the bookseller can set the price depending on what margins she wants to enjoy. Again note the Orange book has listed maximum price which a school can purchase a book from a bookseller. The amount is agreed upon between the government and publishers. Usually bookshops will quote a higher amount when selling to individuals.

Revenue is influenced by:

-  **Location** – High traffic areas generate higher revenue
-  **Marketing** – Going out rather than waiting for customers. Bookshops with smooth salespeople record higher revenue.
-  **Capital** – Higher Margins & Variety
-  **Extras** – Like giving book covers free, or having a photocopy which increases the foot traffic
-  **Display** – An attractive display attracts curious customers and tempts many to purchase impulse
-  **Designing the bookshop** so that customers are easily able to peruse and read blurbs increases revenue to. This is a major reason why books and stationery supermarkets have higher revenue
-  **Suppliers** – This especially applies to stationery. There are many suppliers, both independent importers and local manufacturers big and small. The differences in prices between two suppliers are sometimes as high as 40 %.



Competition and Survival

Average formal bookshops no in county headquarters town	12
Average formal bookshops no in divisional headquarters town	7
Average no that have opened in last 1 year	23%
Average no that have closed in last 1 year	17%

Reason for closing:

- Low Returns
- Losses
- Low Capital
- Mismanagement
- Alternative business

Making Sense of the Figures

 Kenya Booksellers & Stationers Association claims to have over 15,000 as of registered members as of 2013 and the number is increasing.

 However there are many book sellers who are not part of the association. Also there are many briefcase bookshops that specialize in selling books to schools. They lobby for orders, purchase in bulk from publishers then supply. These don't have a proper physical location where they sell books on a day to day basis.

 There are also the street book vendors who sell all types of books. The second hand market for textbooks has been in existence for a long time and is growing fast driven by demand for low priced books by parents in primary, small and medium sized private schools.

 Of interest though is the trend by street vendors to start selling new books. They started by selling revision books by independent publishers, and then moved into the conventional, selling some books by mainstream publishers and even stationery.

 A more recent trend is to sell books from vehicles. These particular book sellers sell all kind of books but with a bias towards textbooks, exam papers, motivational and Christian books. They position themselves at strategic locations in a center, open their car boots and start selling. Sometimes they use music and public address systems to attract customers.

 At other times they move from town to town chasing market days or where there are events being attended by large groups of people. Since they pay no rent, only minimal county fees, they are able to sell books at lower prices. Their being on the street creates some sort of casualness which leads to better relationships with customers as compared to the formal bookshops. And because they are mobile they are able to reach a wider market area.

 However many of the street vendors are undercapitalized and thus not able to offer enough variety and stock compared to the formal bookshops who are ready to invest more capital and have better relationships with suppliers. This is gradually changing with street vendors operating in a grey area between the formal and informal.

 Among the street vendors there are also those selling pirated books retailing at prices even up to 50 % lower than original copies in bookshops. The books

are pirated locally or in China and India. Reference books, revision books and set books are commonly pirated.

 Other than textbooks some of the street vendors have specialized in Christian and motivational books, which are quite popular especially among women.

Opportunities in the business.

Looking at the competition figures there exists opportunities in the business but these are tied to the local conditions and the ability to differentiate especially in terms of marketing.

Differentiation

 Books per se are not differentiated products. *Secondary History by Malkiat Singh* will be the same anywhere in the country. This means location is important for the success of the business. Also with little differentiation price and convenience becomes a key consideration among customers. In county headquarters and towns of equivalent size there is usually one dominant player. Usually a bookshop is dominant because of being the oldest in that market, variety and pricing. Locating your business near the dominant player is disadvantageous unless you have an extremely clear edge vis a vis the dominant player, and this edge is clearly communicated to the customers.

 The presence of a dominant player does not mean that it's not viable to locate a bookshop within the same town. Any high traffic area will be great for the business. Also as stated rather than waiting for the customers to walk in one can reach out to them. For example by having salespeople marketing books and stationery to schools. Creative marketing by using promotional material, displaying books on the shop's pavement, music, and innovative displays attract customers.

Status of Competition

 The number of children getting into primary has been increasing since 2003 when the free primary education was introduced. Every year there is an average of 1 million children joining primary school. This trend is expected to continue.

Access to education is now entrenched into the constitution. Again with devolved government there are more educational institutions coming up.

 The increase in number of pupils will obviously drive up demand for books; while the growth in number of schools will make selling of books seem an attractive venture for new investors. Hence more entrepreneurs will invest in the business even at very local and relatively small towns. Going by the present trends a big percentage of these will be informal traders on streets or briefcases.

 In major urban centers such as Nairobi competition in the formal bookshops will increase at a lower rate, while that of informal traders on the streets in markets and estates will increase at a faster rate. One because the returns are better, and two because the business requires relatively low capital as compared to formal bookshops. The major barrier to the informal traders is space, with some of it being controlled by cartels and there are also the county regulations to think about. Still there are enough people who are able to overcome the space barrier and join the business.

 Of course as noted the middle class is expanding and inflation is expected to reduce. With a rise in disposable income so it's expected spending on books will increase.

 Bookshop spaces in places like malls and supermarkets where the middle class shop are controlled by a few dominant bookshops, who are well funded and have built a brand, which makes it harder for new entrants to get in. For instance in Nakumatt and Tuskys supermarkets books are sold by Hidden Treasures through the Bookfirsrt brand.

 Stationery has become more decentralized from bookshops with neighborhood small shops, supermarkets and hawkers getting more into the business stocking even specialized stationery items like chalk and staplers.

 Other than established stationery brand there are now many independent importers and distributors of stationery. Such market directly to bookshops or advertise in the media or the internet.

 When investing in the business is good to look beyond walk in customers and think of schools too. There is money in supplying books to schools and other institutions despite the occasional delays in payment.

Also efforts to ease reliance on text books and have fairly good sales of other general titles help stabilize the business. Tempting consumers by making them aware of the non text book titles would be a good step. For instance by displaying the books outside the bookshop. Otherwise depending on walk in customers might not be enough to sustain the business in the long run.

Its also important to have enough capital to sustain the business until the break even point which can be as long as 1 year.

Critical Success Factor

Location, Marketing and Pricing are the critical success factors in the business.

Location

Positive location considerations include places with:

-  Enough school going children and parents with sufficient income to purchase books and stationery.
-  Enough adults to purchase other books of interest.
-  A location with high foot traffic and minimal competition

Marketing

Positive marketing considerations include:

-  Reaching out to customers rather than waiting for them to come in. For example by using salespeople
 -  Lobbying school heads
 -  Creative displays that attract customers
- Other promotional efforts that draw attention to the shop

Pricing

 This is a price sensitive market. Offering the best price possible compared to the competition and making it known is an advantage. Price advantage can be acquired by bulk purchases from publishers, and by shopping around for the best price from textbooks and stationery wholesalers. A big price advantage can enable a bookshop to become a wholesaler of sorts in its area of operation.

Branding & Niches

 There is some little room for branding. Efforts at branding are tied to serving niches. For a long time religion was the major niche (Catholic Bookshops, Keswick, Islamic bookshops), lately though there is a move towards serving particular academic areas and interests.

 For instance there is the Nairobi Management Books Centre whose focus is the MBA students. There is also the Uppercase Law Bookshop which concentrates on law books. These mainly trade in Low Priced Editions printed in South Africa or India. The LEP cost almost 50 % cheaper than normal prints found in some bookshops.

 Other emerging niches include accounting, medicine and motivational books. Women form about 69% of motivational books customers. And they are also interested in books touching on relationships and sexuality.

 Niche bookshops develop loyal clientele and record higher returns. One of the niche bookshops targeting post graduate students offers a credit facility, where customers pay in installments, and get the books after they have paid for it fully.

Competition is based on;

 Location

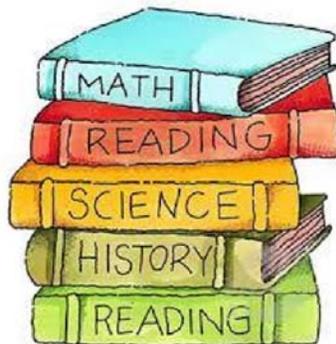
 Pricing

- 📖 Marketing
- 📖 Capital

Colleges & Universities

📖 The number of students and the rigor of tertiary education do not correspond with the number of college specific books of that are sold. One is due to the presence of well stocked libraries in some institutions, and two because of book piracy through photocopying which is common among students. A student or even a lecturer buys a book which is then photocopied by the whole class. There are also universities with well stocked bookshops which sell books to students at subsidized prices.

📖 A student undergoing a 3 to 4 years course requires an average of 6 books for the whole duration of the course. The average price of college book is Kshs.2, 500.



Consumer Behavior

📖 Other than textbooks for their children a large percentage of Kenyan consumers don't budget for books, rather they purchase on impulse, if not so on the recommendation of friends or the media. This means it's important to adequately tempt potential readers for example by attractive and easy display of books. Also

letting consumers read blurbs and browse through the books drives them nearer to making an actual purchase.

📖 In traditional small and medium sized over the counter bookshops customers may feel intimidated by the prospect of asking one title after another perusing then asking for more. So they postpone the decision to buy or not purchase at all.

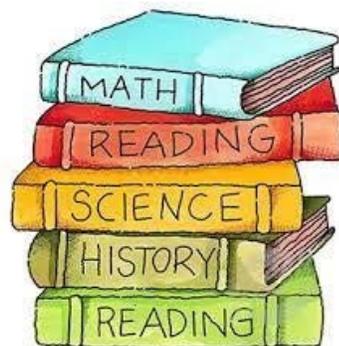
📖 A few of these kinds of bookshops have gone round the problem by having a small rotating metallic display where they place some fictional, motivational and such kind of books. The ability to freely browse tens of books before purchase is one thing that attracts consumers to street vendors, and the big branded 'supermarket' bookstores

📖 Like mentioned primary and secondary school textbooks are not differentiated meaning that individual consumers such as parents will focus on convenience and price. They will purchase from a convenient location but only if the prices are fair.

📖 When schools are purchasing, and the process is straightforward, they will consider prices, credit facilities, reliability and if need be ability to deliver. Most will wish to purchase from one seller so they will consider variety and ability to source all the books and stationery needed.

📖 Purchase of basic stationery like exercises books, rulers, pens, pencils and envelopes are also tied first to convenience then price.

📖 Basic customer service like politeness and warmth are also appreciated.



Manpower

Average No of Employees	2
Average salary of Employees	Kshs.9, 000
Salary Range	Kshs.4000 – Kshs.21,000

- 🍷 For attendants most bookshop owner employs anyone with a high school certificate and some basic computer qualification.
- 🍷 Recruitment is largely through social circles.
- 🍷 Attendants with a genuine interest in books, and who read widely and are well informed make better employees because of their ability to cross sell. Their confidence when asked about a book shows and customers trust them more
- 🍷 For salespeople the major consideration was the ability to talk smoothly, convince and even better have contacts in the education circles. Academic qualifications came second to this.