Business Plan of Excelland Bookstore

LUO Shiyun
WANG Shutu
HUANG Ruxi
MAK Wengian
WEN Qing

A Project
Submitted
in Partial Fulfillment of the Requirements
for the Degree of
MSocSc in Media Management

Supervisor: Prof. CHAN Hinglin

School of Communication and School of Business
Hong Kong Baptist University

Hong Kong
May 2013
Acknowledgement

At first, we would like to express our sincere appreciation to our supervisor Dr. Chan Hing Lin for his patient guidance and most valuable opinions. Furthermore, we would like to express our gratefulness for all interviewees who contributed their ideas and opinions towards our business. In addition, we would like to show our appreciations to all participants who finished the survey questionnaires. The last but not least, we would like to thank for the instructions given by our respectable lectures and professors throughout the one-year Master program, including Dr. Ko, David L K, Mr Chang Clarence C P, Prof Li Ji, Mr Coey Jeff, Prof Tang Gordon Y N, and Mr Chung Kwok Kay. Their sharing in the lectures is inspiring for all of us and could be adopted in writing this business plan. Without their help and enlighten, we could not be able to go through all the processes in preparing and writing the paper. This business plan was our own original work and was written by ourselves under the supervision of Dr. Chan.

Students’ Names: Huang Ruxi, Luo Shiyun, Mak Weng Ian, Wang Shutu, Wen Qing

Signatures:

MSocSc in Media Management
School of Communication
Hong Kong Baptist University

Date: 2, May, 2013
Executive Summary

Issues

The bookselling industry is now facing the challenge brought by technology, most notably the emergence of the new media, virtual bookstore and online pirated book downloading service. The new reading habit and consumption pattern together with the rising rents shrink the profit margin of physical bookstores. Therefore, the declining book retailing industry in China stimulates our intention to reform the operational model of physical bookstore.

Project Objectives

Our project aims to suggest a new operation model for physical bookstores by transforming its adopting a service-based approach. In an era of which information sources are abundant, relying solely on the traditional retail model is ineffective for generating profit. In this project, our major purpose is to introduce a new business model of combining book rental service and food and beverage (F&B) service. In detail, we will investigate the external business environment for the book retailing industry, study the marketing mix and strategies of major competitor, analyze the market situation and target consumer with quantitative and qualitative research conducted in Guangzhou Higher Education Mega Center (GHEMC), design the optimal marketing mix and relevant branding strategies, and evaluate the profit brought by utilizing the new business model.
Key findings

In Guangzhou, either public library or high end bookstore can satisfy students’ needs for acquiring high quality information and relaxation. By utilizing a new marketing mix of locating our business in GHEMC targeting the university students with book rental service and F&B services, the breakeven point can be reached by the end of the first fiscal year while the investment of 300,000 Yuan will be covered by revenue by the end of the second fiscal year.

Uniqueness of the Business Concept

The idea of combining book rental service and F&B service is innovative in Guangzhou since it could help the business get rid of the inventory pressure, generating profit from alternative source (F&B), as well as satisfying the needs of the target group, which has not been yet accomplished by any physical bookstore in Guangzhou.
Company Description & Analysis ................................................................. 6
1. Company Description ........................................................................... 6
2. General Environment Analysis ............................................................ 11
3. Industry Analysis .................................................................................. 13
4. Task Analysis ....................................................................................... 15
5. SWOT Analysis Of Excelland ............................................................... 22
Methodology & Data Analysis .................................................................. 26
1. Methodology ......................................................................................... 26
2. Data Analysis Of In-Depth Interview .................................................... 28
3. Data Analysis Of Questionaire .............................................................. 33
Brand Building Strategy ...................................................................... 43
1. The Brand Image Design ..................................................................... 43
2. The Brand Promotion ......................................................................... 44
Marketing & Sales ................................................................................. 47
1. Marketing ............................................................................................ 47
2. Sales Plan ........................................................................................... 57
Management & Organizations .............................................................. 61
1. Principals And Management Structure In Partnership Business ............ 61
2. Corporate Structure In Future ............................................................. 62
Operations .......................................................................................... 66
1. Operation Process ................................................................................ 66
2. Equipment And Technology ................................................................. 68
3. Research And Development ............................................................... 68
4. Labor Requirements ........................................................................... 69
5. Inventory Management ....................................................................... 70
Development & Exit Plan ..................................................................... 72
1. Long-term Objectives ......................................................................... 72
2. Growth Strategy .................................................................................. 72
3. Risks Analysis ..................................................................................... 73
4. Exit Plan ............................................................................................. 75
Finances ............................................................................................... 76
1. Total Investment Needed ................................................................... 76
2. Start-Up Capital .................................................................................. 76
3. Pro-Forma Income Statement ............................................................. 77
4. Pro-Forma Cash Flow ......................................................................... 79
5. Pro-Forma Balance Sheet ................................................................... 80
6. Break-Even Analysis .......................................................................... 81
Conclusion ........................................................................................... 82
Appendix ............................................................................................... 84
1. The Interview Outline Of The In-depth Interview ................................ 84
2. The Questionnaire Survey ................................................................... 85
3. The VI System Of Excelland ............................................................... 87
4. Calculation and Details of Financial Statement ................................... 94
References ........................................................................................... 96
Company Description & Analysis

1 Company Description

1.1 Legal name

EXCELLAND 界越

Both the English name and the Chinese name have multiple meanings. EXCELLAND is a compound word made up of two words, excel and land. The word Excel is used to represent the company’s vision of pursuing better life and quality of life, while the word Land is used to create a sense of belonging and community and let people feel secure and embraced in the bookstore. For the Chinese name, the word 界 (jiè) means land, while the word 越 (yuè) means excel, which is a literal translation of the English name. Furthermore, 界越 (jiè yuè) is a pun since its pronunciation is the same as 借閱 (jiè yuè), which means book rental service in Chinese.

About EXCELLAND

EXCELLAND will be found in September 2013. It is a company that provides book rental service and cafeteria in the Guangzhou Higher Education Mega Center. The idea of establishing EXCELLAND was stimulated by the declining physical book retail industry in China. EXCELLAND would be the first store in the Guangzhou Higher Education Mega Center that adopts the combination of book rental service and cafeteria. By combining book rental service and cafeteria, EXCELLAND aims to repopulate reading habit in China. In EXCELLAND, customers can read books of
various genres from humanity to art and served with drinks and simple meals. In addition, parts of the books in the stores are reserved for customers to borrow.

The business will be formed as limited partnership. Two limited partners and one general partner are required. Operating losses will not be counted to the limited partners.

1.2 Vision

The vision of Excelland is to be a pioneer of spreading and fostering slow-living lifestyle (慢生活) in China and stimulating public’s interest towards quality of life, reading, and cultural products. The slogan of Excelland is: Enjoy reading, enrich yourself, and excel your life.

We believe that an experienced life starts with an enriching mind. Excelland aims to re-emphasize the importance of interpersonal exchange and the value of slow-living life style in a more digitalized and speedy world. Therefore, we set up the lifestyle bookstore to remind people to stop for a while and think about the meaning of life.

1.3 Mission

The missions of Excelland are providing an alternative and place for relaxation and community exchange for people in China. Moreover, Excelland aims to re-popularize printed books by satisfying customers’ needs of reading books from oversea and China in an affordable price. In addition, Excelland will be a service-focus bookstore that aims to enrich consumption experience by offering environment and food and beverage service.
In the information era, the quality of interpersonal communication is diluted while the electronic communication dominates the face-to-face communication in developed urban areas. Excelland advocates book rental service for the purpose of re-emphasizing interpersonal relationship, sharing, and environmental protection.

1.4 Objectives

In long term, Excelland wants to become a new business model that is adoptable for private bookstores in China. In short term, Excelland takes the role of fulfilling the limitation of the public libraries in China, which are providing a relaxing environment, imported books and latest books for Chinese readers.

1.5 Locations

Excelland is located in Guangzhou Higher Education Mega Center (GHEMC), which is regarded as the Commercial Centre of Guangzhou University. Guangzhou Higher Education Mega Center is located in the Xiaoguwei Island in Xinzao Town in Panyu District of Guangzhou, Guangdong. The area of the GHEMC is approximately 17.9 unit. It consists of ten universities with 120,000 students and is a national top university mega center in China. In addition, it is the center of advanced personnel training, scientific research and exchange in Southern China. Additionally, it is the new urban area integrating academic, research and production development. In the future, five more new high education institutions are planned to enter the GHEMC. In addition, special university tourism base will be developed.

1.6 Products and Services

Book rental services
Book rental service is the actual product that will be provided by Excelland. Excelland will provide over one thousand books of various genres from humanities to art. However, books that are popular among the target groups will be the major focus. In Excelland, about one-tenth of the books are high priced imported books that are reserved for reading in the bookstore, while the rest are mostly low-priced bestsellers that priced between 20 and 40 Yuan. In addition, 20 new books or bestselling books are supposed to add in every month for attracting the customers.

In order to differentiate our bookstore among public libraries and private bookstores, we will provide some tailor-made services and position the books of Excelland as “books you will not read in the library”. Consumers can find books that they want but with little value of collection and newly published books and foreign books that cannot be found in the library. In Excelland, some books that are not directly sold in Mainland China, such as books from Taiwan and Hong Kong, will also be available.

**Food and Beverage**

Food and Beverage service will also be the provided in Excelland. To better satisfy the needs of consumers, simple food and beverage services will be provided. The food we sold includes sandwiches and desserts while beverage includes juice, coffee, milk tea and so on. Free drink refill will be adopted to induce consumption in Excelland.

**Environment and Atmosphere**
In Excelland, atmosphere is the major product that will be sold. In Excelland’s definition, atmosphere will be classified as environmental and reading atmosphere. Customers’ impression and attitude towards the store determine whether they will adopt the products and services. Therefore, a high quality leisure reading space will be provided for the purpose of sustaining customer loyalty. To create a high-quality environmental atmosphere, interior design including lights, layout, and decoration will be emphasized. EXCELLAND does not only provide a public place that consumers can engage in peer communication, but also a small private space for them to relax themselves. To create a reading atmosphere, a reading area that is equipped with desk lamps and furniture is available for those who want to do some readings in our store.

1.7 Unique Characteristics

Excelland is the first combination of bookstore and cafeteria in Guangzhou Higher Education Mega Center commercial circle. At present, there is no high-end bookstore or cafeteria in the commercial circle. Excelland has the competitive advantage of being the innovator that provides superior services and environment for our customers.

Secondly, Excelland is different from the traditional bookstores that gain profit from selling books. Only 20-30% of revenue in Excelland is expected to generate from book rental services, while the remaining 70% would be generated from food and beverage.
2 General Environment Analysis

2.1 Economic segment:

In 2013, the pace of economic growth in China is still expected to be fast. In 2012, the gross domestic product was worth 51,932.2 billion Chinese Yuan with a 7.8% year-on-year growth. Booming economy results in an increase in Chinese purchasing power. However, the problem of inflation also becomes more serious in China.

2.2 Demographic segment:

With the development of China, the population of middle and upper-middle income earners has increased significantly. However, income inequality and skewed income distribution are major problems in Chinese economy. In China, middle and high-income earners mostly gather in first tier cities like Shanghai, Shenzhen, Beijing and Guangzhou.

<table>
<thead>
<tr>
<th>城市</th>
<th>平均薪水</th>
<th>排名</th>
</tr>
</thead>
<tbody>
<tr>
<td>上海</td>
<td>7112</td>
<td>1</td>
</tr>
<tr>
<td>深圳</td>
<td>6787</td>
<td>2</td>
</tr>
<tr>
<td>北京</td>
<td>5453</td>
<td>3</td>
</tr>
<tr>
<td>广州</td>
<td>4917</td>
<td>4</td>
</tr>
<tr>
<td>杭州</td>
<td>4595</td>
<td>5</td>
</tr>
<tr>
<td>南京</td>
<td>4460</td>
<td>6</td>
</tr>
<tr>
<td>大连</td>
<td>4384</td>
<td>7</td>
</tr>
<tr>
<td>苏州</td>
<td>4009</td>
<td>8</td>
</tr>
<tr>
<td>成都</td>
<td>3916</td>
<td>9</td>
</tr>
<tr>
<td>厦门</td>
<td>3319</td>
<td>10</td>
</tr>
<tr>
<td>天津</td>
<td>3810</td>
<td>11</td>
</tr>
<tr>
<td>重庆</td>
<td>3370</td>
<td>12</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>城市</th>
<th>平均薪水</th>
<th>排名</th>
</tr>
</thead>
<tbody>
<tr>
<td>武汉</td>
<td>3245</td>
<td>13</td>
</tr>
<tr>
<td>西安</td>
<td>3237</td>
<td>14</td>
</tr>
<tr>
<td>长沙</td>
<td>3161</td>
<td>15</td>
</tr>
<tr>
<td>合肥</td>
<td>3151</td>
<td>16</td>
</tr>
<tr>
<td>长春</td>
<td>2966</td>
<td>17</td>
</tr>
<tr>
<td>青岛</td>
<td>2940</td>
<td>18</td>
</tr>
<tr>
<td>济南</td>
<td>2922</td>
<td>19</td>
</tr>
<tr>
<td>福州</td>
<td>2861</td>
<td>20</td>
</tr>
<tr>
<td>沈阳</td>
<td>2793</td>
<td>21</td>
</tr>
<tr>
<td>郑州</td>
<td>2691</td>
<td>22</td>
</tr>
<tr>
<td>石家庄</td>
<td>2341</td>
<td>23</td>
</tr>
<tr>
<td>哈尔滨</td>
<td>2220</td>
<td>24</td>
</tr>
</tbody>
</table>

数据来源：智联招聘 2013 年春季职场才情报告，zhaopin.com
2.3 Political/legal segment:

In 2012, national educational expenditure reached 2,198.4 billion Yuan, which was the first time showing that the figure accounted for 4% of the GDP. However, when compare with other countries, Chinese government still pays relatively less investment on education. Furthermore, there is a big educational expenditure gap among different regions in China.

With regards to the intellectual property law in China, there is an absence of strict law in China to protect intellectual property. Therefore, the problem of the widespread pirated products is serious and ubiquitous in China.

2.4 Sociocultural segment:

Knowledge is highly valued in traditional Chinese culture. Due to globalization and urbanization, Western customs and habits have an influence in Chinese culture. The overall improvement of educational level in China results in the growing demand for cultural products and high quality information sources.

2.5 Technological segment:

E-business is a ubiquitous business format in China. The popularity of this consumption method proves the success of e-business in China. New media like Weibo, Wechat and Douban provide great platforms for product promotion and marketing. In addition, they could be used to reach a target group.

2.6 Global segment

Globalization has a more significant effect on Chinese people from culture to economy. By using Internet, more people have access to foreign culture through
online medium. In addition, the more frequent trading activities with other countries boost the appreciation of RMB.

3 Industry Analysis

3.1 Intensity of competitive rivalry

The book retail market is in a period of below-potential growth. According to the statistics result published by Beijing OpenBook co., Ltd, from 2008 to 2010, the growth rate of retail book sales was under 5%. After a rise of nearly 6% in 2011, a -1.05% growth was followed in year 2012.4

Low market growth results in fiercer competitions in the industry. Moreover, the low price strategy and home delivery service adopted by online virtual bookstores continuously threaten the survival of physical bookstores. In 2012, online sales reached approximately 13 billion, which accounted of over one third of the total sale of book retailing industry.

In addition, compared with big state-run bookstores like Xinhua or private bookstores founded by well-known publishers such as Sanlian, small-sized private bookshops are struggling to survive in a more difficult situation. In 2011, two branches of O2SUN, a reputable private bookstore, were closed in Beijing due to the reason of low profits. It was reported that the revenue of the bookstore could hardly cover the operation cost.
3.2 Bargaining power of suppliers

The distribution channels of China’s book retail industry could be mainly classified into 2 types. The first type is from the publishing house directly to retail bookstores, while the second type is wholesalers that there are middlemen between publishing houses and retail bookstores. The middlemen could be state-run Xinhua or other non-state-run companies. Therefore, there are 3 major types of suppliers for book retailers, which are publishing houses, the distribution department of Xinhua, and non-state-run book distribution enterprises.

The bargaining power of supplier is determined by the scale of the company. When facing the publishing houses and the distribution department of Xinhua, individual bookstores tend to have lower bargaining power. As a result, more private bookstores would like to turn to the non-state-run distributors for book supply.

3.3 Bargaining power of buyers

When low-priced books are saleable via online virtual bookstores, consumers become more and more price sensitive. Moreover, since switching costs for buying is relatively low, low price becomes the most attractive factor and the most significant advantage of online virtual bookshops. Comparatively, physical bookstores, which have to bear the operating cost, do not have advantage in this low price competition. However, when it comes to professional books, consumers tend to be less price-sensitive.
3.4 Threat of new entrants

The entry barriers and capital requirement is not very high for entering book retail industry. Moreover, consumers tend to be less loyal to a significant brand. All of these factors provide opportunities to new entrants. However, the industry profitability seems to be dissatisfactory.

3.5 Threat of substitute products

E-book is now posing a threat to the printed books. With the wide adoption of electronic gadgets, cheap, convenient, informative, portable, or even editable e-books have become an alternative for book readers. Especially in China, free e-book resources are easy to access from the Internet. Many people in China are used to downloading free e-book from open resources rather than buying books. There is no doubt that traditional books will face a more severe situation in the near future.

In conclusion, physical bookstore is suffering a tough time. Traditional book retailing business is suggested to make some changes to adapt to customers’ new consumption and reading habits.

4 Task Analysis

4.1 Target customers of Excelland

Demographic segmentation

Excelland aims to attract customers who are aged between 18 and 50. The customers in the target market have a wide range of disposable income because the
market is composed of college students, educators, and residents who live in the Guangzhou Higher Education Mega Center.

Psychographic segmentation

The members of the target market are more likely to have an interest in reading imported books. In addition, some of them would have a desire of being the first group of people who read the latest popular books. Apart from the interest in reading, some of them also enjoy slow-living life style and are willing to spend their spare time on relaxation or engaging in peer communication.

4.2 Competitor: Fangsuo (方所)

In Guangzhou, there is a bookstore that positions itself as a cross-functional cultural community. On 25th November 2011, the founder of a domestic fashion brand “Exception” and the Chief Executive Officer of Flaneur Culture Lab from Taiwan founded Fangsuo. Among private physical bookstores in Guangzhou, Fangsuo differentiates itself by applying tailor-made marketing and branding strategy. By setting a vision of spreading culture, building a new life-style, and providing a cultural exchange platform in China, Fangsuo transformed a bookstore from a retailer to an experienced provider.

Fangsuo’s consumer Analysis

Demographic Segmentation

The target customers of Fangsuo are educated middle class who are more likely
to visit high-ended shopping mall in Guangzhou such as TaiKooHui. This group of people is more likely to be aged between 20 and 40. Moreover, artists and designers who have the needs of obtaining imported books or design and art related books are also Fangsuo’s target consumers.

**Psychographic Segmentation**

In line with Fangsuo’s positioning, the target customers of Fangsuo tend to emphasize culture and appreciate quality life style. The target customers of Fangsuo are the group of people who enjoy culture exchange and have relatively stronger attachment to art and design. Moreover, the target customers of Fangsuo tend to have more spare time to enjoy consumption experience and prefer the atmosphere created by Fangsuo. This group of people is less price-sensitive. In contrary, receiving additional values in Fangsuo is the major factor that makes them willing to pay for the premium.

Fangsuo’s strategy of selling life-style resembles to Excelland’s business objective. Moreover, Fangsuo and Excelland can both appeal to the group of people who have an interest in reading and quality lifestyle. Therefore, Fangsuo Commune would be regarded as our major competitor in Guangzhou.

**The positioning of Fangsuo: The 4Ps in its marketing strategy**

3 levels of Product (actual product, core product, augmented product)

Fangsuo positions itself as a culture hub as well as a cross-functional cultural community. The actual products of Fangsuo are book, fashion, artistic products, and
coffee. Among the 40,000 types of books provided by Fangsuo, approximately 40% are imported books. Moreover, the majority of the books it sells are rich in content with high quality. Fashion, artistic products, and coffee are also sold in Fangsuo and contribute to part of the company’s revenue. The core product of selling consumption experience and life style differentiates it from other book retailers as well as keeping customer loyalty. The consumption experience of Fangsuo is created by the integration of fashion, life-style product, book retailing, exhibition as well as cafeteria. In addition, the decoration, services, and events organized by Fangsuo are its augmented product. Fangsuo regularly invites authors to give speech in its store as well as giving book recommendation to customers, which cultivates an interactive communication culture with consumers.

Price

The average book price of Fangsuo is more expensive than other physical bookstores. The major reason is that 40% of its books are imported books from Hong Kong, Taiwan, Europe and the US. In addition, Fangsuo only provided discretionary discount compares with virtual bookstores and other competitors in Guangzhou. Other product, such as coffee, is priced at the similar level with foreign coffee brand, such as Starbucks. With regard to the life-style products, they are also priced at a level above average.

Place

Fangsuo is located in a high-ended shopping mall in Guangzhou, TaiKooHui. Therefore, Fangsuo is surrounded by high-ended fashion brands such as Hermes and
Louis Vuitton. The choice of location amplifies Fangsuo’s upscale positioning strategy and niche targeting strategy because the choice of location is advantageous for the store to target to the educated middle-class and those who have passion in art and design.

Promotion

The major promotional channel of Fangsuo is social media, such as Weibo. In Weibo, the company provides book recommendation and shares the company’s latest information with its followers. Actually, the business model of Fangsuo attracted media attention itself. In most media report, Fangsuo was said to imitate the business model of Elite bookstore, which is a well-established life style bookstore originated from Taiwan.

Other unique promotional strategy includes regular themed-events take place in Fangsuo. This promotional strategy could attract media’s attention; maintain customer-loyalty, as well as reinforcing and disseminating the company’s culture.

Branding strategy of Fangsuo

Fangsuo attracted its targeted customers by providing proper customer benefits from functional, emotional, experiential, aspirational, and self-expressive experience. The functional benefit is to provide opportunities for consumer to acquire books that are difficult to be found in the market, while emotional benefit is created by the artistic interior design, the high-ended location, and the trendy and educated perception received by visiting Fangsuo. In Fangsuo, customers can do more than
purchasing book. The experiential experiences are exhibition, author’s sharing, fashion retailing, and cafeteria. The aspirational benefit is that Fangsuo provides a reachable platform for non-artistic people to get in touch with art, design, and culture. In terms of self-expressive experience, Fangsuo’s customers can enrich their life-style via attachment to art, design, and culture by consuming in Fangsuo.

**Strategies of Fangsuo**

- *Unique marketing proposition:* Fangsuo differentiates itself from other physical bookstores by positioning as a cross-functional cultural community as well as a life-style concept store instead of a book retailer. The core product of Fangsuo creates additional value and strengthens relationship with customers.

- *Experiential consumption:* By combining high-ended fashion brand “Exception”, art gallery, book retailing, and cafeteria in one venture, Fangsuo creates cultural and artistic atmosphere in numerous aspects. The location, the interior design of the bookstore, the additional consumption experience, and the reputation of the founder altogether contribute to the artistic atmosphere of Fangsuo. As a result, it provides experiential consumption experience to customers that could bring long-term benefit.

- *Niche targeting:* Though there is a corner in Fangsuo selling best-selling books, Fangsuo does not only focus on selling popular books. On the contrary, it sells book that are difficult to be obtained in the market, the genre of the books in Fangsuo range from design, architecture, literature, and art books imported from Hong Kong,
Taiwan, Europe, and the US. These books compose over 40% of all the books available in Fangsuo. In addition, they aim to satisfy the need of people who work in design and art sector by offering relevant books for reference. In Fangsuo, over half of the books are related to design and art.

• **Market-oriented and localization**: Responding to the passion in dining of Guangzhou people, Fangsuo also provides a comprehensive set of cookbooks in order to satisfy their preference.

• **Weekly themed-event**: In order to visualize the vision of providing a cultural exchange platform for customers, Fangsuo holds themed events weekly from guest speaker’s sharing to book launch event. The weekly themed-event is designed for the long-term benefit of Fangsuo.

### Strength of Fangsuo

• **Reputed and experienced management team**: The chairman of Fangsuo, Mao Ji Hong, is the founder of a well-established domestic fashion brand, Exception, which could generate Halo Effect of transferring the reputation of the brand to Fangsuo. In addition, the strategic planner, Liau Mei Li, was the former vice executive officer of the Taiwan Elite Bookstore while the designer of Fangsuo is the famous Hong Kong designer, Anothermountainman. The solid experience in branding as well as running and managing bookstore of the management team is one of the major strengths of Fangsuo.
• Optimize its revenue by creating consumption experience: The major advantage of Fangsuo is that it can create a desirable atmosphere that matches its position as well as generating a consumption experience. Consumption experience can create an emotional attachment and relationship between the consumers and the company. The atmosphere, the 4Ps, the company’s culture, and the founder of Fangsuo altogether add value to Fangsuo.

5 SWOT Analysis of Excelland

<table>
<thead>
<tr>
<th>Strength</th>
<th>Weakness</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The unique business model that integrate book rental and F&amp;B service;</td>
<td>• Low level of brand awareness;</td>
</tr>
<tr>
<td>• Customer Oriented: We understand our target customer;</td>
<td>• Management team is less experienced in the book retail industry;</td>
</tr>
<tr>
<td></td>
<td>• We did not have social resource: e.g. capital, talents, network;</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Threat</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Geographical advantage: located in the Guangzhou Higher Education Mega City (easy to reach the target group);</td>
<td>• E-commerce: purchasing books from virtual bookstore becomes a new trend.</td>
</tr>
<tr>
<td>• More people pay attention to private bookstores in China;</td>
<td></td>
</tr>
</tbody>
</table>

5.1 Strength

• The unique business model.

Excelland adopt a unique business model that combines the book rental service with the cafeteria for the purpose of providing a cultural space for customers.

The followings are the advantages of this business model. Firstly, this business model does not need to face the pressure of inventory since each book in the company will only have one to two stocks for rental or in-store reading. Secondly, this business
model can help the company to stay away from the competition with the online virtue bookstores. Thirdly, the success of the other bookstores that include cafeteria is evidence to the feasibility of this business model.

- **Customer Oriented: We understand our customer.**

  As the management team of Excelland and the target customers are both university students in similar age. Therefore, we are whom we serve and understand the target group. Since understanding the target customers’ needs is crucial for building long-term beneficial relationship, the management team of Excelland actually brings positive contribution to the business.

### 5.2 Weakness

- **Low level of brand awareness.**

  Since Excelland is a newly established brand in Guangzhou Higher University Mega Center, the company will need to invest more time on building brand awareness. In contrary, our major competitor, Fangsuo, is a reputable brand in Guangzhou.

- **The management team is less experienced.**

  The management team of Excelland is fresh graduate from Master program without sufficient working experience in business and management. However, Fangsuo senior management team has rich experience in managing a bookstore and branding.

- **We do not have rich social resource.**

  As Fangsuo is a reputable brand in China, its management team has better assess to social resource, such as capital, talents, and network. With the sufficient resources
they on their hands, holding cultural salon and guest lectures by famous writers are relatively more manageable for them. While Fangsuo have more resources to promote its brand, Excelland has limited resources to attract customers through publicity.

5.3 Opportunity

- **Geographic advantage.**

  Generally, the income level of Chinese people is increasing and the population of educated group is also increasing simultaneously. In other words, the education level of Chinese people becomes higher. Since our bookstore is located at the Guangzhou Higher Education Mega Center, the target consumers are mostly educated. The group of educated young people tends to have higher demand for reading as well as peer communication.

- **More people pay attention to the independent bookstore.**

  The declining private book retailing industry has been a serious phenomenon in China. In early 2011, the Jifeng bookstore in Shanghai closed their branch stores in Renmin square and Jingan temple. In July 2011, the Fengrusong bookstore in Beijing suspended their business. In September 2011, the last two Sanlian bookstores in Guangzhou closed. In October 2011, Guanghezuoyong bookstore of Xiamen also closed all the stores in the country. These years, the survival of private bookstore has attracted much attention from the media and opinion leaders. This group of people pays attention to this phenomenon and also discussed the reasons behind the declining book retailing industry. Moreover, they want to figure out the solution for problems
that private bookstores are facing.

However, there are some exceptions among private bookstores in China. The success of some private bookstores in China also attracts public’s attention. The Elite bookstore from Taiwan becomes more and more popular in Mainland China. In addition, the success of Fangsuo in Guangzhou also proves that private bookstore can transform crisis to opportunity with appropriate strategies.

5.4 Threat

- E-commerce: Purchasing books from virtual bookstore becomes a new trend.

E-commerce is more widely adopted and ubiquitous in China due to the development of online virtual bookstore, online payment, and logistic service. In addition, online virtual bookstores usually adopt price competition, which will further shrink the profit margin of the private bookstores.
Methodology & Data Analysis

1 Methodology

1.1 Research purpose

Our research is an exploratory applied research. It is conducted for the purpose of understanding our customer and market, than providing information and supports for the business plan. From the research, we want to get to know two major piece of information. Firstly, we want to know the potential reading needs and relaxation needs of the students in Guangzhou Higher Education Mega Center. Secondly, the research also aims to find out the feasibility of the combination of book rental service and food and beverage service. Therefore, a survey that can find out the profitability of those services is needed. In addition, this survey will also help us to learn about the expectation of consumers for all of these services. This survey will be support for us to make decision for the new business.

1.2 General research objectives

1) Understanding the potential reading and relaxation needs of students in Guangzhou university town.

2) Find out the feasibility and profitability of book rental service.

3) Find out the feasibility and profitability of food and beverage service, which is along with the book rental service.

4) Collect the consumer’s suggestion of all these service.
1.3 Research method

Both quantitative and qualitative research methods are utilized in our survey. Qualitative research was used to conduct the in-depth interview while the questionnaire is conducted with quantitative research method. Our target respondent is the university student in Guangzhou. In the in-depth interview, 9 students of Guangzhou university town are chosen as our research sample. To conduct the in-depth interview, we had a face-to-face interview to these 9 respondents. In the questionnaire survey, our sample size is 200. In addition, the questionnaire is conducted via online platform.

In the in-depth interview, our specific objective comes from the general objective of our research. Therefore, the in-depth interview needs to answer the following questions:

1) Do the students in Guangzhou university town have the potential reading needs?
2) Will the accompanied food and beverage service can be accepted or not? And why?
3) What is the additional relaxation need of these kinds of consumers?
4) Can they accept the book rental service or not? And why?
5) What is their suggestion of all the services?

In the questionnaire survey, our specific objectives also come from the general objective of our research. The questionnaire survey needs to answer the following questions:

1) Can they accept the book rental service?
2) What is the acceptable price range of the book rental service?

3) Can they accept the food and beverage service along with the book rental service or not?

4) What is the acceptable price range of the food and beverage service?

5) What is the price level of food and beverage service in the university town?

2 Data Analysis of In-depth Interview

2.1 Data Collection

Sampling And Location: The number of sample is 9 students.

<table>
<thead>
<tr>
<th>Name</th>
<th>School</th>
<th>Gender</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Jason</td>
<td>Xinhai Conservatory of Music</td>
<td>Male</td>
</tr>
<tr>
<td>2. LY</td>
<td>Xinhai Conservatory of Music</td>
<td>Female</td>
</tr>
<tr>
<td>3. Zijian</td>
<td>Guangzhou University</td>
<td>Male</td>
</tr>
<tr>
<td>4. Chengbin</td>
<td>Guangzhou University</td>
<td>Male</td>
</tr>
<tr>
<td>5. Jiayang</td>
<td>Guangzhou Academy of Fine Arts</td>
<td>Male</td>
</tr>
<tr>
<td>6. Yiting</td>
<td>Guangzhou Academy of Fine Arts</td>
<td>Female</td>
</tr>
<tr>
<td>7. Zhuwenjie</td>
<td>Guangzhou University</td>
<td>Male</td>
</tr>
<tr>
<td>8. Huangqiubin</td>
<td>South China Normal University</td>
<td>Male</td>
</tr>
<tr>
<td>9. Eric Zheng</td>
<td>South China Normal University</td>
<td>Male</td>
</tr>
</tbody>
</table>

2.2 RESULTS AND FINDINGS

2.2.1 Opinions on Existing Products and Services

Atmosphere

Jason agreed with the vision of Excelland and showed interest to go to the bookstore regularly. “I am not a big fan of books, but if the place is classy and comfortable, I will go there”, said Jason. As a Year 2 student from Xinhai, he did not think that displaying art students’ works would help the bookstore gain more
customers. Moreover, he thought that immature art work may harm the style and atmosphere of the bookstore. In terms of background music, Jason repied, “I am a student major in singing, even I won’t go there to sing, it’s embarrassing, I would rather go downtown to sing and get well-paid”. Another interviewee, LY, who is also from Xinhai, agreed with Jason about atmosphere styling.

Another interviewees, Chengbin and Jiayang both suggested that the services and atmosphere should not be too “full” at the beginning. They believed that consumers’ preference vary from person to person. Therefore ‘Keep it neat’ seemed to be the safest style. In addition, Jiayang brought out the effect of synergy. He concerned about the general low-level image of Guangda Commercial Circle will have negative influence to the high-end bookstore to build up its brand image.

Furthermore, Zhu Wenjie, a student from Guangzhou University, said that he prefers a place where is quite and comfortable as many people wanted. “I like reading and I will bring books along with me all the time, what I need is a lifestyle bookstore that can provides me an open style and comfortable environment with appropriate lightings neither too dim nor too bright.” He also suggested that self-study space in the shop could charge some extra fees. It does not need be a big area. Instead, it can be a corner of the bookstore. Another interviewee, Huangqiubin, who majored in architecture, said that he would not exhibit his works in our bookstore because he thought it is meaningless. For him, atmosphere would be the biggest attractive factor."I simple want a comfortable space that I could relax with my friends during my leisure time." said Huangqiubin. Eric Zheng, a student from the South China Normal
University, held similar opinion as Huangqiubin. However, he rose up the idea of creating a themed bookstore. For example, a bookstore in forest theme could be decorated with trees and plants, which could also provide an environment for readers to relax and recover from tiredness.

**F&B Services**

LY paid more attention on the lease term of books and quality of foods. “The ultimate things to keep people coming is how well your coffee (or food)”, said LY, “and you can get some popular magazines to contend with consumers who don’t read much”. A similar idea from Eric Zheng, who thought a high quality and special food could be the biggest factors to attract and retain consumers. And Zhuwenjie suggested that we can sell foods in a set, which might bring a feeling to consumers that it was more worthy and cost saving.

However, Yiting said that the profit from low-priced food and beverage could hardly cover the cost. She suggested a similar pricing strategy as Starbucks. Moreover, she said that she was optimistic about the purchasing power in Guangzhou Higher Education Mega Center.

**Book Rental Services**

For the book rental service, LY suggested setting up different lease terms for different kinds of books. Generally, the lease term should not be too long to damage consumer's motivations to buy the book. She also believed that the book retailing business is profitable. She added that books could be sold at original price as long as consumers can get discount on the F&B services.
Zijian was a Year 2 student from architecture. Though he appreciated the idea of such bookstore, he claimed that he would rather reading books in the store rather than renting them. He also concerned about the fast speed of book depreciation. “You should not let people access the books so easily. Instead, you should display books in the show case and make them look more mysterious”, said Zijian. He suggested providing trial version of each book. If people are interested in the books, they should pay for reading the full version (e.g. by rental).

Huangqiubin a student majored in architecture said, "I will not borrow books from bookstore since I need to spend long time on reading the design book. Plus, I can find them in a second-hand bookstore which is cheap and I can read it anytime."

2.2.2 Suggestions on Extra Products and Services

CD Review Services

For the extra expectation from Excelland, Jason suggested a ‘Weekly Recommendation’ for the CD rental service. He said that students from musicology in Xinhai who has expertise at writing music reviews could write the CD review for EXCELLAND. If the bookstore can invite them to write about one or two CDs in a week, it will boost consumers’ interest in the service.

Book Review Services

Jiayang would like to see the book review in the bookstore. “This would be the most important asset of your bookstore, because it is unique”, Jiayang said. His consumption in the bookstore would be highly dependent on the quality of books as
well as the review of books. The other eight people also want the book review services.

Yiting thought that the bookstore could target at both high purchasing power customers and high motivating customers. By high motivating customers, Yiting meant the group of people that were eager to learn new knowledge yet had relatively less disposable income. To target at them, the bookstore should provide chances for them to share their reviews on certain books and reward them by giving discount on F&B services.

**Exquisite Booths**

About the detailed of service, Zijian proposed the idea of 'Exquisite Booth'. The booths are better designed than other seats and equipped with earphones, desk lamps and iPads. In addition, he also suggested a grading VIP system. The booths are only available to those possessed higher level of VIP identities. Chengbin is also interested in the idea of private space since he preferred silence. However, Jiayang said that providing earphones was not necessary.

**VIP plan**

Chengbin concerned a lot about the clauses of VIP customers. He suggested that the bookstore should provide customized services (e.g. electronic bookmark, SMS of recommending books).
3 Data Analysis of Questionnaire

3.1 Basic information

The research was taken place from March 15\textsuperscript{th} 2013 to March 27\textsuperscript{th} 2013. The total number of sample was 206, all university students from Guangzhou.

The gender distribution of sample:

![Gender Distribution Chart]

The major distribution of sample:

![Major Distribution Chart]
The grade distribution of sample:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freshman</td>
<td>34%</td>
</tr>
<tr>
<td>Sophomore</td>
<td>19%</td>
</tr>
<tr>
<td>Junior</td>
<td>17%</td>
</tr>
<tr>
<td>Senior</td>
<td>7%</td>
</tr>
<tr>
<td>Frist-year graduate</td>
<td>13%</td>
</tr>
<tr>
<td>Second-year graduate</td>
<td>10%</td>
</tr>
<tr>
<td>Thrid-year graduate</td>
<td>19%</td>
</tr>
<tr>
<td>Doctoral student</td>
<td>12%</td>
</tr>
<tr>
<td>Others</td>
<td>4%</td>
</tr>
</tbody>
</table>

3.2 The result report of research

How often do you read the book? (Except the newspaper and magazine):

A. Once a day  
B. Three times a week  
C. Once a week  
D. Once two week  
E. Once a month  
F. More less

From this question we can know that the interviewee who read once a day takes the largest percent. Among the interviewees, around 45 percent have a reading habit of reading over once a week. From the result, we can know that the target customers of us have relatively higher reading frequency and reading habit.
How much money you pay for reading in average? (Include buy, rent and download e-books)?

How much money you pay for reading in average? (include buy, rent and download e-books)? (Chinese yuan)

From the result of this question, we can get to know that 86 percent of the interviewees spend less than 50 Yuan on reading. However, 54 percent of them spend below 20 Yuan on reading. Therefore, we can know that our target customer did not spend much money on reading.

Our questionnaire gives the samples the first scenario followed by the two questions asked above. And the following four questions are related to this scenario.

**Scenario one:** There is a book rental store near your university; they have the books that the university library does not have. If these books are very expensive/ or you do not have the need to collect them/ or you cannot buy from the Mainland Chinese bookstores.
Do you want to consider renting this book from this store?

From the result of this question, we can get to know that most people want to receive the book rental service. Refer to the location of the bookstore that is written on previous chapter, there are 120,000 students in the Guangzhou university town. According to the result of this question, we can know that 10% of out these 120,000 students will rent books from us.

How long do you want to rent?

According to this question, we can get to know that 40 percent of the interviewees want to rent the book for one month, while 20 percent of them want to
rent the books for two weeks. Additionally, the small proportion of the interviewees chose the option of one-week. So we can know that the rental duration of two weeks or longer is most preferable.

If the rental price is 10% of the book price, do you think it is reasonable or not? (Rent one week)

![Graph showing the results of the question]

This question is designed to know the price that can be accept by our target customer. From the result, we can know that there is just 10 present of interviewees thought that the price is “not reasonable at all”. 19% of them rated ‘5’ for this question, which indicated that they are strongly agreed with the pricing. 29% of the interviewees rated ‘4’, which indicated that the price is still acceptable for them, while 27% rated ‘3’ indicating that they are either accept or reject the price. From the result, we assumed that the rental price of 10% of the book price is not rejected by over half of the interviewees.
In this scenario, how many books will you rent?

![Graph showing the distribution of rental book quantities.]

From the result of this question, we can see that around 70 percent of people will not rent over 2 books. In addition, according to the question followed scenario one we can decide our price of rental service, and forecast our probably profit from this service.

**Scenario two:** If you are in this elegant environment “book rental store”, and there are many comfortable seats. You can enjoy beverage and dessert here. And in this store, you also can read books collected by the store for free.

And the following two questions are related to the scenario two.
Do you want to spend in this store?

As the result tells us, 14% of interviewees are willing to spend in this store. Since the total population of students in the Guangzhou university town is 120,000, there will be ideally 103,200 people willing to come to our bookstore.

How much do you want to spend once a time? (Chinese Yuan)

According to the result of this question, we can get to know that there is an average distribution among interviewees who chose the second, third, fourth, and fifth option, which are all around 20%. So the price range from 6 to 30 is the most acceptable price range in the store.
And from the questions that followed scenario two, we can assume the profit we can get from the café and food service.

How often do you usually go to a comfortable drink shop and dessert shop, like cafeteria?

![Pie chart showing consumer behavior](chart.png)

This question tells us the consumer behavior in the university town. Except the A option, the other options get similar percentage. From the result, we can get to know that over 20 percent of interviewees chose option D and E, which indicates that most people are willing to come to these kinds of shops once a month.
According to the last question, how long will you stay in that kind of store?

![Pie chart showing time spent in store]

The difference between each option is very huge. From the result, we can get to know that most people, 56% of the interviewees, are willing to spend one to two hours in that kind of store. Therefore, we can figure out how many consumers we can serve one day according to this result and how many seats we should have in our shop.

In the university town, how much do you usually pay for a beverage in a store? (Chinese Yuan)

![Pie chart showing price paid for beverages]

41
According to this question, we can give a reference to the price of beverage. From the result, we can see that most people chose option A and B, which are 54% and 29% respectively. That means the price should not be lower than 6 Yuan and higher than 15 Yuan for most products in our store.

In the university town, how much do you usually pay for a dessert in a store? (Chinese yuan)

We can give a reference to our price of food for this question. From the result, we can see that most people choose option A. That means our price cannot be lower than 10 and higher than 15.
Brand Building Strategy

1 The brand image design

1.1 The logo

This logo stands for the following meaning:

The logo is an opened book while the blue part resembles the cover of the book as well as two drops of water. In Cantonese there is a phrase, “吹水” (ceoi seoi), used to describe casual chitchat among friends. Since ceoi seoi can be literally translated in blowing water. Therefore, the two drops of water can also stand for the casual chitchat among friends. Additionally, the shape of this logo can be imagined as wisp of fragrance, which means that we offer the beverage with tasteful smell.

1.2 Other elements for VI system

The other elements for VI system are included in Appendix 3.
2 The brand promotion

2.1 The media habit of target consumer

In recent years, Internet and social media have been developing rapidly. As a result, more and more people depend on social network to acquire information, especially for our target consumer. Since they live in the dormitory without television sets in the Guangzhou Higher Education Mega Center, Internet is the major resource for them to acquire information. Additionally, newspaper is less accessible for them, so they are less likely to spend time on traditional media. Therefore, the promotion of our brand will mostly depend on the Internet and social network.

2.2 The objective of brand promotion

Our objective can be separated into two parts: the short-term objective and the long-term objective.

The short-term objective:

Achieve 50% of brand awareness among our target consumer by one month after the launch of Excelland.

The long-term objective:

During the operating process, we will pay attention to improve our brand image and brand value via high quality service and products. We aim to get highly brand awareness, brand loyalty and brand reputation for Excelland. In addition, we aim to
make Excelland become the most reputable brand name in the Guangzhou university town.

2.3 The main massage in the brand promotion

The main massage in our brand promotion

And the slogan of Excelland: enjoy your rental reading time.

界越：借一份阅读时光

In this main message, our core value of being the friends of our customers is added. In the message, we expressed that we understand the needs of our target customers by offering a wonderful environment for reading as well as giving service that are tailored for the customers. In general, Excelland is positioned as a high quality cultural space. Those messages are what we need to tell our target consumer in the brand promotion.

2.4 The communication strategy of brand promotion

The style

The style of our brand promotion is simple, fresh, clean, classy and easygoing.

The media we will be used

We will use Sina Weibo, Renren, the main BBS of every university in university town, the outdoors advertisement.
**The specific method will be used in each media**

<table>
<thead>
<tr>
<th>Media</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sina Weibo</td>
<td>We will set up the company homepage of Excelland in Weibo. News of the brand and message of cultural salon will be updated on Weibo. Additionally, we will interact with our consumer on Weibo.</td>
</tr>
<tr>
<td>Renren</td>
<td>We will set up the company homepage of Excelland in Renren. News of the brand and message of cultural salon will be updated on Weibo. Additionally, we will interact with our consumer on Weibo.</td>
</tr>
<tr>
<td>BBS of each school</td>
<td>We will do the issue management in the BBS. In order to get higher brand awareness and brand reputation, we will raise hot topics on BBS and discussed with consumer.</td>
</tr>
<tr>
<td>Outdoor advertisement</td>
<td>Release around the school and somewhere near our store.</td>
</tr>
</tbody>
</table>
Marketing and Sales

1 Marketing

Excelland is a lifestyle book store which is planned to be located in the Guangzhou Higher Education Mega Center. The following parts illustrate the marketing and sales strategies that will be applied to reach the objectives of the company.

1.1 Objectives

**Long-term marketing objective**

To become the branded cultural and communication hub for college students in all major cities in Mainland China

**Short-term marketing objective**

To accumulate 800 members during the first fiscal year in Guangzhou Higher Education Mega Center

1.2 Competitive Forces

Though most of the private bookstores in China are affected by the changing reading habits and the low price competition among virtual bookstores, Excelland has a unique selling point of integrating Food and Beverage service and book rental service. In addition, Excelland’s missions are popularizing reading and slow-living lifestyle. Therefore, the strategic position and business concept should be a long-term
competitive advantage for future brand building as well as differentiating it from other book retailers.

1.3 Target Market Segmentation

The target market of Excelland will be the people reside in the Guangzhou Higher Education Mega Center. Our target market group is college student in the Guangzhou Higher Education Mega Center. This group of people is chosen as our targeted customers because they have relatively higher demand for reading. In addition, the college students tend to have more spare time to spend and engaging in peer communication.

Target Customers Analysis: Needs

This target group of people has a desire of acquiring information and emphasizes peer communication. However, their disposable incomes are limited for them to purchase imported books or consuming high-ended service in cafeteria or restaurants. Even though there are libraries in the Guangzhou Higher Education Mega Center, the books found in the libraries are not popular among college students. Additionally, the latest best-selling books are not available in the campus library. Therefore, students in the Guangzhou Higher Education Mega Center are more likely to utilize library as a place for revision rather than a place for borrowing books.

Excellent aims to cater to the college students’ needs for information, leisure activities, and peer group communication by offering an affordable and reachable location choice in the campus area. Since college students are more likely to discuss
about trend and recommend new things among peer group, the power of word-of-mouth cannot be neglected. Under this circumstance, quality of service has to be emphasized. In addition, more sales is expected to be leveraged upon the first group of customers are cumulated since the influence among peer groups will attract more customers to the store.

**Target Customers Analysis: Preferred Distribution Channel**

The service will be mostly distributed in store “EXCELLAND”. Augmented services, such as customer enquiry service and two-ways interactive communication will be distributed through new media channels such as Weibo, Wechat, BBS of each universities, and Renren.

**Target Customers Analysis: Communications**

Social media channels, such as Weibo and Wechat, and word-of-mouth are the major marketing tools for EXCELLAND to promote its business. As the target group’s members are mostly social media savvy and are more likely to share their opinions about trends and new products and services, social media should be well utilized and controlled. In addition, product and service quality have to be controlled in order to leverage the power of word-of-mouth.

On Weibo, a fans page will be created to provide the company’s latest information as well as new book recommendations. Having a presence on Weibo, two-ways communication with customers can be fulfilled. In addition, it can make your company searchable on the Internet at a low budget as well as optimizing the opportunity for the company to reach potential customers through e-word-of-mouth.
By using Wechat, latest information of the company can be sent through the company’s corporate account to the subscribers’ accounts directly. On the Renren, the Chinese Facebook, corporate fans page will also be established for releasing latest information and increase brand awareness. On the BBS of each university, current topics will be raised for public discussion in order to create some BUZZ.

**Keys to Success**

As mentioned previously, social media and word-of-month play important roles for the company to build brand image, retain customer loyalty and attract potential customers. Therefore, the messages delivered by the company through social media should be controlled in order to translate into long-term beneficial relationship. On the social media platform such as Weibo, employees are expected to look closely at the data tracking in order to evaluate the efficiency and effectiveness of the social media platform. From the data tracking, the peak period of visiting the fans page as well as the virality can be shown. In order to optimize the function of the social media, a designated employee with experience in online marketing will be assigned to manage the Weibo fans page and provide feedback to the public.

1.4 **Marketing Strategy**

Excelland positions itself as an innovator of spreading the slow-living lifestyle with an integrated business format of providing book rental and Food and Beverage service. To respond to the result of the previous external and internal analysis, the following sections will illustrate the marketing plan in terms of 4Ps model and
detailed marketing tactics that will be adopted for reaching the company’s objectives.

Our strategy aims to induce frequent readers to rent books from Excelland and foster reading habits among non-frequent readers in a place that integrated book rental service and food and beverage service. In addition, membership program will be launched for the purpose of building stronger customer loyalty. To cultivate a customer-oriented culture in the company, social-media will be adopted to build a platform for two-ways communication. Excelland will not engage in price-competition as many private bookstores in China do. On the other hand, it will adopt a customer-oriented and service-based strategy and focus on gaining customer loyalty by delivering high-quality service.

From the survey, the needs of the target customers are defined. Actually, proper positioning is more important than the actual characters of the products to the ultimate success of the product or brand. (Schiffman, et al., 10th Edition) Marketing plays an important role in establishing profitable long-term relationship because figuring out the needs, the wants, and the benefits that the customers are seeking for, and then develop relevant strategies is crucial for all business. The marketing strategies that Excelland applied are market-orientated strategy and differentiation. The products that the company provides, the pricing strategy that is adopted, the distribution channels, as well as promotional channels are all tailor-made for the target customers. In addition, the integrated business format of book rental and cafeteria differentiates it from most of its competitors.
1.5 4Ps model

Product (3 levels of product)

There are basically 3 levels of product in marketing definition. The actual products of Excelland are book rental service, coffee, and snacks. With regard to the book, Excelland will offer imported book from Taiwan, Hong Kong, the United Stated, and European counties. Basically, Excelland will offer books that could not be easily acquired in the campus library in the Guangzhou Higher Education Mega Center. The survey result shows that 90% of the interviewees have the need of reading imported books. Therefore, the actual product that Excelland provides can satisfy the needs of the target group. The core product of Excelland is the slow-living life-style as well as a place for relaxation and peer group communication. The augmented product of Excelland is the service quality and the environment of Excelland.

Price

Market-oriented pricing

Different from other book retailer, Excelland does not set a retail price for its book because the books available in Excelland are not for sales purpose. The pricing strategy that Excelland applied is market-oriented strategy. At the customer analysis stage, survey research was carried out for the purposes of understanding customer’s behavior and consumption power. In the survey, there is a Likert scale rating whether setting the rental fee for renting book for a week as one tenth of the book price is
reasonable for the target group. The survey result shows that 19% rate 5 (most reasonable), while 29% rate 4 (less reasonable), and 27% are either agree or disagree to the price. Therefore, it indicates that the rental fee is not rejected by over half of the interviewees. For the Food & Beverage service, market-oriented pricing strategy will also be adopted. Form the survey, we can get to know that the most acceptable price range for drink is between 6 and 15 Yuan, while the price range of food should be between 10 and 15 Yuan.

**Place (Product and service distribution)**

The product and the service of Excelland will be mainly delivered in the physical store located in the Guangzhou Higher Education Mega Center. The total population in the Guangzhou Higher Education Mega Center is approximately three hundred and fifty thousand and about two hundred thousand of them are students from 10 different higher education institutes. The location of Excelland can offer convenience for the target group, who are the college students in Guangzhou.

Besides delivering product and service in the physical store, the Weibo fan page will provide company’s news. The Weibo fan page will be a platform to reinforce the company’s culture as well as providing interactive communication with current and potential customers. Actually, online platform will be a tool for the company to spread its service and culture without the hindrance of geographical boundary.

**Promotion**
Excelland will mainly utilize new media for promotional purpose. The channels that will be adopted are Sina Weibo and Wechat. In Weibo, company latest information and book recommendation will be provided. In addition, e-word-of-mouth can be achieved by using online media once the posts on the social media get viral. By using Weibo, useful marketing information can be provided by the data tracking. By using Wechat, direct marketing can be fulfilled by the one-to-multiple and one-to-one messaging function. Generally, Weibo will be a tool for spreading information, providing interactive communication, promoting company's culture as well as retaining customer’s loyalty while Wechat will be a tool for direct marketing and customer relationship management.

1.6 Marketing Strategies and Tactics

In order to reach the short-term marketing objective of accumulating 1,000 VIP members by the end of year one, Excelland is going to carry out the following strategies from Market oriented strategy, customer relationship management, and corporate social responsibility strategy.

**Strategy I: Market oriented strategy**

In order to build long-term beneficial relationship with customers, Excelland will adopt market-oriented strategy from numerous aspects in order to satisfy the needs of customers.

**Tactic I: Satisfying the unfulfilled needs**
“In situation in which consumers seek to solve a problem or satisfy a need, they are likely to form attitudes (either positive or negative) about products on the basis of information exposure and their recognition.” (Schiffman, et al., 10th Edition, p.258) In Guangzhou, best-selling books cannot be found in the campus libraries. Moreover, most students regard library as a space-provider for revision rather than a place for borrowing books. The phenomenon reflects that the part of the needs of the target groups is not fulfilled. Therefore, Excelland focus on lending books that could not be found in the campus library. In addition, the books that could be found in Excelland are mostly popular among the target groups.

**Tactic II: Trigger emotion by adopting new categorizing method**

In Excelland, books will be classified into non-traditional categories. On the other hand, books will be classified into categories such as “Little Fresh”, “Artistic Feeling”, and “Design Craze” in order to create a consensus among the target group. The title of the book categories will be the trendy titles that are widely adopted by the young Chinese netizens for describing a specific group of people.

**Strategy II: Customer Relationship Management**

The first stage of the marketing plan aims to attract public attention and gain more followers on new media channels. Marketers believe that customers are supposed to move through 4 steps from awareness, interest, evaluation, trial, before they finally decide whether they should adopt or reject a new products. After getting customers’ attention towards our services, relationship should be strengthened by
membership program as well as goodwill building.

**Tactic I: Relationship building by social media**

Since Excelland was a new brand, building positive attitude towards Excelland plays a crucial role for alluring first trial. Excelland will utilize the social media for communicating the company’s culture and managing customer’s relationship by effective two-ways communication.

By use of Wechat, we can broadcast the company’s latest information to the residents in Guangzhou Higher Education Mega Center even though they are not followers of the company’s Wechat account. Moreover, Weibo can also be used as a platform to attract more customers and retain customer loyalty as social media can fulfill interactive communication as well as reinforcing company culture.

**Tactic II: Membership program**

In Excelland, membership program will be launched for building emotional attachment with the company as well as increasing the company’s cash in-flow in a short period of time. To borrow books in Excelland, every borrowers need to register as a member of the company.

**Strategy III: Corporate Social Responsibility**

Excelland embraces double bottom line approach to evaluate the performance of the business. The establishment of Excelland does not only aim to generate profit, but also popularizing reading culture and slow-living life culture in China.

**Tactic: Book Donation**
To reinforce Excelland’s mission in fostering reading habit in China, Excelland plans to donate the books for charitable purpose. Every time when the company purchases new books for rental purpose, the older books will be donated to the local libraries or orphans. This action could both reinforcing the company’s culture as well as injecting positive elements to the brand image.

2 Sales Plan

Objectives

To generate RMB 40,000 sales in the Guangzhou store during the end of the first fiscal year

Sales Strategies

In order to reach the objective of generating 40,000 RMB sales during the first fiscal year, Excelland will launch promotional programs and customer service control for boosting sales in Excelland.

Sales tactics

2.1 Sales Operation

Terms of membership

Every customer should first apply for a membership before they can purchase the products and services in Excelland. Along with the registration, they need to pay 50 Yuan into their digital account. Therefore, once new customers register as a member,
company can gather cash in-flow. Actually, the amount that the customers pre-paid is deductible for future consumption for all services in Excelland, including book rental and Food and Beverage. However, book rental service is only allowed under the condition that the remaining amount in the digital account is more than the price of the book.

If members would like to join the VIP membership, they should accumulate a 200-Yuan expenditure in Excelland within one month. VIP members will be granted for free book renewal for one week and entitled a 5% discount for book rental and food and beverage services.

### 2.2 Sales Operation

**Prices of products and Services**

<table>
<thead>
<tr>
<th>Items</th>
<th>Listed price (Yuan)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Services</strong></td>
<td></td>
</tr>
<tr>
<td>Book Rental service</td>
<td>10% of the book price (two weeks)</td>
</tr>
<tr>
<td>Private study space rental</td>
<td>8/ Hour</td>
</tr>
<tr>
<td><strong>Food and Beverage</strong></td>
<td></td>
</tr>
<tr>
<td>Tea</td>
<td>9</td>
</tr>
<tr>
<td>Coffee</td>
<td>18</td>
</tr>
<tr>
<td>Iced-orange juice</td>
<td>18</td>
</tr>
<tr>
<td>Cheese Cake</td>
<td>18</td>
</tr>
</tbody>
</table>

### 2.3 Promotion: Experiential membership bundling plan

In the beginning stage of running the business, 200 customers can join the
membership with a 50% discount. Anyone who joins the plan will be entitled a 50% discount for book rental service and food and beverage consumption. In addition, a further 20% discount will be entitled if they successfully invite one of their friends to join the membership.

2.4 Promotion: Themed campaigns

In Excelland, themed events will be organized in the monthly basis in order to boost sales and attract customers. Every month, the marketing and sales manager needs to design a theme for the month. After designing the theme, relevant books should be selected and put in the most prominent area in the store. In addition, marketing and sales manager should design relevant promotions on social media channel to cross-sell the products.

Channels for themed campaigns

- In store
- Wechat
- Weibo
- Renren
- BBS of each university
- Outdoor advertisement

2.5 Sales tactic: Standardized customer service

Excelland will set criteria to evaluate quality of the service that will be delivered
in Excelland since service quality plays a major role in service-based business. Salespeople in Excelland should adhere to the service standards of Excelland to ensure the service quality.

**Training and sales skill**

Upon salespeople are hired in the later stage of the operation, marketing and sales manager will provide training courses to the new members. In the training, salespeople will be taught the book-categorizing skill, standardized greeting words, as well as the basis sales skill in terms of communication perspective. In addition, salespeople are strongly encouraged to read the latest books that are available in Excelland in order to provide higher quality service to customers.

<table>
<thead>
<tr>
<th>Items</th>
<th>Price (RMB)</th>
<th>Responsible</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly themed event</td>
<td>500/month</td>
<td>Marketing and sales manager</td>
<td>The event will be held in a monthly basis in store and online marketing channels.</td>
</tr>
<tr>
<td>Salary of Marketing and Sales Manager</td>
<td>3,800/month</td>
<td>Marketing and sales manager</td>
<td></td>
</tr>
<tr>
<td>Outdoor advertisement (Design and production)</td>
<td>50/month</td>
<td>Marketing and sales manager</td>
<td>As mentioned in the branding chapter</td>
</tr>
<tr>
<td>Promotion (Membership discount program)</td>
<td>5,000/job</td>
<td>Marketing and sales manager</td>
<td>The first 200 people who register as members will be entitled a 50% discount.</td>
</tr>
</tbody>
</table>

- Online marketing channels are free
- Salespeople will not be hired during the first fiscal year

*Total expense in the first fiscal year: 500*12 + 5,000 + 50*12 + 3,800*12

= 57,200 Yuan
Management and Organizations

Our business will begin as an individual bookstore open in Guangzhou Higher Education Mega Center. It will start as a partnership business with a simple management structure. When the business enters the mature stage of development with brand image established, our business will transform to corporation and expand the business by opening more brands in different cities in China. Up to this stage, organization structure will be more intricate.

1 Principals and management structure in partnership business

The top management team consists of 5 founders. Apart from taking responsibility for the strategic planning, these founders are also the key operators at the beginning stage of running the business. Each of them will take charge of one or more parts of the business operation.

LUO Shiyun: Book rental service manager, mainly in charge of book purchasing and book rental service

WANG Shutu: Finance manager, responsible for the whole business operation involving customer management and providing financing support to the business

HUANG Ruxi: Food & beverages service manager, in charge of food purchasing, processing, serving and quality control

MAK Wengian: Marketing manager, responsible for marketing and research, event and promotion planning

WEN Qing: Service delivery manager, responsible for human resources and
working schedule arrangement

All of the founders are in the same management level and the management structure will illustrate in the following:

In order to maintain the daily operation of the store, 5 founders will take turn to be on duty for the in-store operation.

2 Corporate structure in future

After the business transform to a corporation with more brands open up, a management structural adjustment will take place to meet the development needs and professional executives and specialists will be invited and hired to manage the corporate operation and give advices. At that time, a relatively more complicated corporate structure will be adapted.
Below general manager, three division managers will be assigned to take charge of the whole business operation.

**Sales & Marketing** division includes sales, marketing, customer relationship & public relationship and branding & development. The first two departments are responsible for the store's sales and marketing operations involving the operation of book rental services, F&B service operation, marketing research and promotion. The third department will focus on tasks in two major aspects, CRM and PR. Customer relationship management mainly takes charge of customer profile management and
provides membership services, while public relationship pays attention to establish and maintain positive relationship with scholars and assist in launching lectures and cultural events to the public. Branding & development department is founded to build brand image, promoting our brand, and developing strategies for business expansion and future development. Branch management is also the responsibility of this department. For brand promotion, we will cooperate with some production houses and manufacturers in the future to do brand labeling for selling these branded products in our bookstores.

**Production** division includes purchasing, logistics and quality inspection departments. The first two departments are in charge of the book and food supply channel and logistic procedure. In addition, quality inspection department is established to monitor and ensure the food safety.

**Administration** division is founded to support the primary activities of our business. Finance, human resources, device & technology, security departments and Law advisor are included. Finance department is in charge of doing budget control, accounting treatment and taxation planning for the corporation. HR department is responsible for the recruitment, selection, training, evaluation, and rewarding of employees. Part-time students will still be our main front-line service personnel and some of them will be trained to be assistant store manager. Moreover, HR department will plan staff activities regularly to strengthen the solidarity and build up company culture. In addition, device & technology department mainly supports the hardware facilities of the company from the purchase of equipment, digital internal operation,
management system application, and network promotion support. Furthermore, security department is established to monitor the normal operations of bookstore and handle unexpected accidents while law advisor is invited to handle legal affairs.

Additionally, college students in Guangzhou Higher Education Mega Center will be employed as part-time workers for the bookstore. They will be trained for a short period and provide book rental and food and beverage service in the bookstore.
Operations

1 Operation Process

The major tangible products of Excelland are books and foods & beverages. To determine how to operate the business efficiently, two types of flow diagram would be used to illustrate the manufacture of various products.

1.1 Books and related business

Flow Diagram (Exhibit 1a)

Operating Stages (Exhibit 1b)

<table>
<thead>
<tr>
<th>Operations Stage</th>
<th>Responsible Party</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Purchase books (details, see 1c)</td>
<td>• Clients; Approved by finance manager; Executed by book rental service manager and production manager (depending on item in question)</td>
</tr>
<tr>
<td>• Local books from Z.cn</td>
<td></td>
</tr>
<tr>
<td>• Overseas books from Hong Kong bookstores</td>
<td></td>
</tr>
<tr>
<td>2. Transport from purchase point to Excelland</td>
<td>Driver</td>
</tr>
<tr>
<td>3. Display one copy of each book on shelf</td>
<td>Book rental service manager and service delivery manager</td>
</tr>
<tr>
<td>4. Store spare copies inventory</td>
<td>Book rental service manager and service delivery manager</td>
</tr>
<tr>
<td>5. Rent &amp; sales in Excelland</td>
<td>Marketing manager, book rental service manager and service delivery manager</td>
</tr>
</tbody>
</table>

Flow Diagram for purchase of books (Exhibit 1c)
1.2 Foods & Beverages and related business

Flow Diagram (Exhibit 2a)

Operating Stages (Exhibit 2b)

<table>
<thead>
<tr>
<th>Operations Stage</th>
<th>Responsible Party</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Purchase raw materials and inputs</td>
<td>Approved by finance manager;</td>
</tr>
<tr>
<td>• Coffee beans</td>
<td>Executed by food &amp; beverage service manager</td>
</tr>
<tr>
<td>• Ingredients of cheese cakes</td>
<td></td>
</tr>
<tr>
<td>• Labels, containers, other</td>
<td></td>
</tr>
<tr>
<td>nonmarketing-related assets</td>
<td></td>
</tr>
<tr>
<td>2. Transport from purchase point to</td>
<td>Driver</td>
</tr>
<tr>
<td>Kitchen</td>
<td></td>
</tr>
<tr>
<td>3. Store in unfinished goods inventory</td>
<td>Food &amp; beverage service manager</td>
</tr>
<tr>
<td>4. Production desserts</td>
<td>Service delivery manager and chef</td>
</tr>
<tr>
<td>5. Store in finished goods inventory</td>
<td>Food &amp; beverage service manager and service delivery</td>
</tr>
<tr>
<td></td>
<td>manager</td>
</tr>
<tr>
<td>6. Transport to Excelland (sales point)</td>
<td>Driver</td>
</tr>
<tr>
<td>7. Sales in Excelland</td>
<td>Marketing manager, food &amp; beverage</td>
</tr>
</tbody>
</table>
service manager and service delivery manager

2 Equipment and Technology

<table>
<thead>
<tr>
<th>For customers</th>
<th>For shopkeepers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Chairs and tables</td>
<td>2. Printing and copying machine</td>
</tr>
<tr>
<td>3. Superior booth with deluxe furniture</td>
<td>3. stationery</td>
</tr>
<tr>
<td>4. Tableware</td>
<td>4. Cashier system</td>
</tr>
<tr>
<td>5. Displayed refrigerator</td>
<td>5. VIP information collecting system</td>
</tr>
<tr>
<td>6. Coffee machine</td>
<td></td>
</tr>
<tr>
<td>7. IPads</td>
<td></td>
</tr>
<tr>
<td>8. 42” screen TV set</td>
<td></td>
</tr>
</tbody>
</table>

3 Research and Development

This part of operation strategy aims for sustainable product improvement and responsiveness to the changing needs of customers. To further understand the needs and wants of our customers, the bookstore will establish the following approaches:

3.1 Computing system to analysis the most popular books

An intelligent-computer-software will be utilized to calculating the popularity of each book and analyzing the characters of its borrowers, which based on a comprehensive evaluation between consumers’ (i.e. the VIP members who have submitted their personal information to Excelland) behaviors and their demographic information.

3.2 Reward policy to incent review writing

One of the methods to collect book reviews is from the customers per se. Excelland encourages customers who are passionate in reading and are familiar with
certain books to share their thoughts with others by contributing their reviews to us. In return, the bookstore will provide physical gifts from Foods & Beverages (e.g. discount on food ordering, free drinks on house, etc.) to book rental discount.

3.3 VIP Members can vote for most wanted books

To better understand the needs of our prime customers, Excelland has a scoreboard for ‘Most Wanting Books This Month’. Each member has the right to vote one score for each book unlimitedly and the right to nominate one wanted book per month. When the wanting-score of certain book reached 30, the bookstore will make the purchase.

4 Labor Requirements

<table>
<thead>
<tr>
<th>Titles</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance manager</td>
<td>Take charge of daily cash flow;</td>
</tr>
<tr>
<td></td>
<td>Maintain consumer relationship;</td>
</tr>
<tr>
<td>Marketing manager</td>
<td>Take charge of meeting the sales target;</td>
</tr>
<tr>
<td></td>
<td>Gather information of the changing wants of books;</td>
</tr>
<tr>
<td></td>
<td>Plan the short-term and long-term promotion strategies;</td>
</tr>
<tr>
<td>Book rental service manager</td>
<td>Responsible for the purchase quantity and quality control of all books;</td>
</tr>
<tr>
<td></td>
<td>Take charge of the book rental service;</td>
</tr>
<tr>
<td>Food &amp; beverages service manager</td>
<td>Responsible for the quantity and quality control of foods and beverages;</td>
</tr>
<tr>
<td></td>
<td>Communicate with suppliers and distributors;</td>
</tr>
<tr>
<td>Service delivery manager</td>
<td>Draft the shifting schedule;</td>
</tr>
<tr>
<td></td>
<td>Responsible for hiring extra part-time waiters/waitress;</td>
</tr>
<tr>
<td></td>
<td>Make sure the service deliver appropriately and timely.</td>
</tr>
</tbody>
</table>
5 Inventory Management

5.1 Inventory approach

There are three kinds of inventory management techniques to choose. Firms should cautiously select the appropriate one to maximize their operation efficiency and therefore increase net profit.

The first technique is the ABC approach, which classifies goods by their quantities and values. Its rationale is to generate most of the sales revenue from a small proportion of inventory in terms of quantity.

The second technique is the economic order quantity model (EOQ). It is based on a mathematic calculation to determine the optimal inventory size and figure out the most economical restocking time. Basically, the rationale underlies that inventory carrying costs increase and restocking costs decrease as inventory levels rise.

Just-in-time inventory is the third technique for inventory management. It is relatively up-to-date and aimed to minimize inventories and maximize turnover. It is based on a system called kanban that could provide information to suppliers as much as possible.

Excelland would choose the appropriate method to manage inventory according to the real practice in business.

5.2 Inventory turnover

The figure below would illustrate the inventory situation in the first year. Store period refers to the inventory turnover of the half finished goods:
<table>
<thead>
<tr>
<th>Item</th>
<th>Cost (RMB)</th>
<th>Quantity (sales per day)</th>
<th>Store period (by day)</th>
<th>Total amount (RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>desserts</td>
<td>5</td>
<td>63</td>
<td>7</td>
<td>2205</td>
</tr>
<tr>
<td>bottled juice</td>
<td>3.1</td>
<td>63</td>
<td>14</td>
<td>2734</td>
</tr>
<tr>
<td>coffee</td>
<td>1</td>
<td>63</td>
<td>180</td>
<td>11340</td>
</tr>
<tr>
<td>tea</td>
<td>0.49</td>
<td>63</td>
<td>180</td>
<td>5557</td>
</tr>
<tr>
<td>total</td>
<td></td>
<td></td>
<td></td>
<td><strong>21836</strong></td>
</tr>
</tbody>
</table>

5.3 **Quality Control**

The quality of foods and beverages would be controlled by recipe. The method of making coffee and tea would be taught to every employee.

The books we stock in would be classified into categories to help customers find the one they need. The classification method that EXCELLAND would adapt is unique from other bookstores. As we mentioned before in the marketing section, we would have different themes every three months. Here below are the examples and definition of our classification:

<table>
<thead>
<tr>
<th>Classification</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>適合晚上睡不著看的書</td>
<td>Books under this category would be books that are less exciting, such as novels, illustrations, etc.</td>
</tr>
<tr>
<td>適合想瞭解過去，展望未來看的書</td>
<td>Books under this category would be academic books that are relatively time consuming and informative, like history books, biography books, social science books, technology books, economic books, etc.</td>
</tr>
<tr>
<td>適合無聊打發時間看的書</td>
<td>Books under this category would be easy to read and interesting, like design books, architecture albums, magazines, etc.</td>
</tr>
<tr>
<td>適合想改變自己適應環境看的書</td>
<td>Books under this category would be related to communication skills, self identity building, psychology, etc.</td>
</tr>
</tbody>
</table>
Development and Exit Plan

1 Long-term objectives

In the long term, Excelland wants to create a new business model for private bookstore. This model does not only fulfill the insufficient supply of books in public library, but also takes the role of disseminating culture the could not fulfilled by online virtual bookstore. Meanwhile, EXCELLAND wants to become a well-known brand and become the leader and innovator among private bookstores in Guangzhou.

2 Growth Strategy

The growth strategy of Excelland consists of two major strategies, which are the market penetration and the market development strategy.

2.1 Market penetration

In the beginning stage of the business operation, market penetration strategy is used to increase and maintain market share of current products. To achieve this objective, a combination of competitive pricing strategies, advertising and sales promotions will be used. In terms of competitive pricing strategies, a VIP plan will be launched for giving some discounts or privilege offers to VIP members. For promotions, new media such as Weibo and Renren will be used for updating information or promotions about Excelland. To attract more people and gain customer loyalty, some activities will be held in a regular basis, such as cultural salon and small-scale exhibition. In addition, Excelland emphasizes satisfying customers' needs
and long-term beneficial relationship.

### 2.2 Market development

After the market penetration, Excelland will carry out further development by expanding to other districts in Guangzhou. Customers in Guangzhou University Town are less diversified since most of them are teachers and students. Therefore, it is far away from our vision of disseminating knowledge to people and cultivate lifelong reading habit. With more and more people pursuing relaxing reading atmosphere and lifestyle, Excelland will be the best and the most appropriate one. The first store of Excelland will first be located in the Guangzhou Higher Education Mega Center. When the business become more mature, it aims to cover more districts in Guangzhou.

### 3 Risks analysis

Since Excelland is a new business, they may face several risk from market risks, financial risks, and management risks.

#### 3.1 Market risks

The current conditions of the market pose a risk to the new business. From the five forces analysis, we get to know that the competition among book retailers is fierce. EXCELLAND, as a new business, is less capable in convincing customers to spend in the bookstore. In other words, EXCELLAND will need to go through a difficult
stage to gain market share. Therefore, to manage these kinds of risks, market analysis will be conducted to identify potential consumers and their needs.

3.2 Financial risks

Excelland is operated in the form of limited partnership. If the operation capital is not enough, it will affect the liquidity of capital. As a result, it may lead to a big impact on daily operation or even bankruptcy. Therefore, strictly monitor and control the capital flow are important.

3.3 Management risks

The management team of Excelland does not have sufficient experience in management and running a business, which poses a challenge for EXCELLAND. To minimize the impact of this problem, talents developments plan will be implemented to learn more techniques of running a business.

3.4 Books resource risks

Since the books suppliers are independent with Excelland. Excelland depend heavily on these suppliers for the books resources. Under this situation, EXCELLAND will face risks of losing book resources or being required to pay a higher price for resources. To avoid these kinds of situations, EXCELLAND will need to sign contracts with suppliers and keep a good relationship with them.
4 Exit plan

If there are uncontrollable market factors that influence the profitability of Excelland, some exit strategies will be used to guarantee the benefits of stakeholders. These exit strategies include finding a new owner for Excelland by selling, mergers and acquisitions.
**Finances**

1 **Total investment needed**

By estimating, the total investment of start-up Excelland is **300,000 RMB**. These investments are used for the early stage of Excelland development includes fixed assets investments and the maintenance of normal operation before break-even. Since these capitals are invested by our own, no interest will be involved, instead, we can get back and gain bonus by receiving dividends.

2 **Start-up Capital**

<table>
<thead>
<tr>
<th>RMB</th>
<th>Total</th>
<th>Items</th>
<th>Quantity</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>37800</td>
<td>Inventory system</td>
<td>1</td>
<td>1000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Coffeemaker</td>
<td>1</td>
<td>3000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Oven</td>
<td>1</td>
<td>500</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Refrigeratory</td>
<td>1</td>
<td>3800</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Computer</td>
<td>1</td>
<td>3500</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Computer for search</td>
<td>1</td>
<td>2000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Canon Print-Copy machine</td>
<td>1</td>
<td>4000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Projector</td>
<td>1</td>
<td>2000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Air condition</td>
<td>3</td>
<td>18000</td>
</tr>
<tr>
<td>Furniture</td>
<td>11800</td>
<td>Bookcases</td>
<td>18</td>
<td>6500</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tables&amp;Sofa</td>
<td></td>
<td>5000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tableware</td>
<td></td>
<td>300</td>
</tr>
<tr>
<td>Decoration</td>
<td>100000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Books</td>
<td>80000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>279600</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Sources of Capital**

The sources of capital are attained by investments of five Excelland group members.
3 Pro-forma income statement

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>848706</td>
<td>1783632</td>
</tr>
<tr>
<td><strong>Cost of Goods Sold</strong></td>
<td>146720</td>
<td>252150</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>701986</td>
<td>1531482</td>
</tr>
<tr>
<td><strong>Other Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>951</td>
<td>951</td>
</tr>
<tr>
<td>Salary Expenses</td>
<td>228000</td>
<td>228000</td>
</tr>
<tr>
<td>Rent Expenses</td>
<td>300000</td>
<td>300000</td>
</tr>
<tr>
<td>Utilities Expenses</td>
<td>72712</td>
<td>72712</td>
</tr>
<tr>
<td>Marketing Promotions</td>
<td>11600</td>
<td>11600</td>
</tr>
<tr>
<td>Books</td>
<td>8000</td>
<td>8000</td>
</tr>
<tr>
<td>Magazines</td>
<td>3200</td>
<td>3200</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>624463</td>
<td>624463</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>77523</td>
<td>907019</td>
</tr>
<tr>
<td><strong>Interest Expenses</strong></td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td><strong>Taxable Income</strong></td>
<td>77523</td>
<td>907019</td>
</tr>
<tr>
<td>Taxes (25%)</td>
<td>19380.75</td>
<td>266754.75</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td><strong>58142.25</strong></td>
<td><strong>680264.25</strong></td>
</tr>
<tr>
<td>Dividends</td>
<td>58142.25</td>
<td>680264.25</td>
</tr>
<tr>
<td>Additional retained earnings</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

To estimate sales of foods and beverage, we combined the results of survey and actual situation. We targeted on 1/10 people in Guangzhou university town in the first year, since Excelland has just started the business, it needed time to build up brand to attract more customers. Also we assume that in the first two month, we can only gain sales revenue of one month due to the condition of under development. According to the survey, 86% said that they would like to spend in our bookstore and 21% was our appropriate customers who have consuming ability in our bookstore.
To sum up, there would be 7541 person-time; detailed calculation refers to the appendix 4.2.

For the second year, we used the maximum number of people we can serve as our number of customers. According to the results of survey, we reached a conclusion that the demand outweighs service that we cannot satisfy the demand without expanding. (detail shown in appendix 4.2)

Since our revenue mainly comes from foods and beverage. For sales of books, we assume that books rental income was used to cover 20% of fixed costs each month. After calculation, 62376 units of books should be rented out a year. Also we assume the average period that people would rent was two weeks, the minimum period. So the average price is 2 RMB per lending.
## 4 Pro-forma cash flow

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from customers</td>
<td>848706</td>
<td>1783632</td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments to suppliers(books+catering)</td>
<td>-237920</td>
<td>-263350</td>
</tr>
<tr>
<td>Salary Expenses</td>
<td>-228000</td>
<td>-228000</td>
</tr>
<tr>
<td>Marketing Promotions</td>
<td>-11600</td>
<td>-11600</td>
</tr>
<tr>
<td>Other expenses(rent, utilities)</td>
<td>-372712</td>
<td>-372712</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-850232</td>
<td>-875662</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>-19380.75</td>
<td>-266754.75</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td><strong>-20906.75</strong></td>
<td><strong>641215.25</strong></td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>payment for property, plant and equipment(include decoration)</td>
<td>-161400</td>
<td>0</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td><strong>-161400</strong></td>
<td>0</td>
</tr>
<tr>
<td><strong>Cash flow from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends paid</td>
<td>-58142.25</td>
<td>-680264.25</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td><strong>-58142.25</strong></td>
<td><strong>-680264.25</strong></td>
</tr>
<tr>
<td><strong>Net increase/(decrease) in cash held</strong></td>
<td><strong>--240449</strong></td>
<td><strong>-39049</strong></td>
</tr>
<tr>
<td>Cash at the beginning of the year</td>
<td>300000</td>
<td>59551</td>
</tr>
<tr>
<td>Cash at the end of the year</td>
<td>59551</td>
<td>20502</td>
</tr>
</tbody>
</table>
5 Pro-forma balance sheet

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>59551</td>
<td>20502</td>
</tr>
<tr>
<td>Inventory</td>
<td>29836</td>
<td>45433</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>89387</td>
<td>65935</td>
</tr>
<tr>
<td><strong>Fixed assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>37800</td>
<td>37800</td>
</tr>
<tr>
<td>Furniture</td>
<td>11800</td>
<td>11800</td>
</tr>
<tr>
<td>Books</td>
<td>80000</td>
<td>80000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>129600</td>
<td>129600</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>218987</td>
<td>195535</td>
</tr>
<tr>
<td><strong>Liability and Owner’s equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liability</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>218987</td>
<td>195535</td>
</tr>
<tr>
<td><strong>Total liability and equity</strong></td>
<td>218987</td>
<td>195535</td>
</tr>
</tbody>
</table>

Depreciation

<table>
<thead>
<tr>
<th>Items</th>
<th>Cost (RMB)</th>
<th>Residual Value(RMB)</th>
<th>Depreciable cost(RMB)</th>
<th>Useful life(in years)</th>
<th>Annual depreciation expense(RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equipment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coffee machine</td>
<td>3000</td>
<td>2400</td>
<td>600</td>
<td>5</td>
<td>120</td>
</tr>
<tr>
<td>Computer 1</td>
<td>3500</td>
<td>2800</td>
<td>700</td>
<td>5</td>
<td>140</td>
</tr>
<tr>
<td>Computer 2</td>
<td>2000</td>
<td>1600</td>
<td>400</td>
<td>5</td>
<td>80</td>
</tr>
<tr>
<td>Oven</td>
<td>500</td>
<td>400</td>
<td>100</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>Refrigerator</td>
<td>3800</td>
<td>3420</td>
<td>380</td>
<td>10</td>
<td>38</td>
</tr>
<tr>
<td>Print-copy machine</td>
<td>4000</td>
<td>3600</td>
<td>400</td>
<td>10</td>
<td>40</td>
</tr>
<tr>
<td>Projector</td>
<td>2000</td>
<td>1800</td>
<td>200</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td><strong>Furniture</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bookshelf(18)</td>
<td>6500</td>
<td>5200</td>
<td>1300</td>
<td>5</td>
<td>260</td>
</tr>
<tr>
<td>Table&amp;Sofa</td>
<td>5000</td>
<td>4000</td>
<td>1000</td>
<td>5</td>
<td>200</td>
</tr>
<tr>
<td>Tableware</td>
<td>300</td>
<td>201</td>
<td>99</td>
<td>3</td>
<td>33</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>951</td>
</tr>
</tbody>
</table>
Straight Line Method: Cost - Residual Value = Depreciable cost

Depreciable cost / Useful life (in years) = Annual depreciation expense

6 Break-even Analysis

<table>
<thead>
<tr>
<th>year</th>
<th>Sales</th>
<th>Total Costs</th>
<th>total gain/loss</th>
<th>Dividends Gains</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>848706</td>
<td>790563.75</td>
<td>58142.25</td>
<td>58142.25</td>
</tr>
<tr>
<td>2</td>
<td>1783632</td>
<td>1103367.75</td>
<td>680264.25</td>
<td>680264.25</td>
</tr>
<tr>
<td>Total</td>
<td>(all in RMB)</td>
<td></td>
<td></td>
<td><strong>738406.5</strong></td>
</tr>
</tbody>
</table>

From the above figures we can know that the bookstore begins to break-even in the first year. In the second year, we believe that Excelland has built up its own brand that the sales will be booming at the maximize level that Excelland can serve. Moreover, the amount of star-up investment which is 300000, will be covered in the second year.
Conclusion

In a more speedy and developed city, information is abundant while the forms of acquiring information are various. However, there is a trade-off between technology development and the traditional information sources. The establishment of EXCELLAND was stimulated by the declining book retailing industry in China. By holding the vision of disseminating culture and fostering reading habit among Chinese people in the information era, EXCELLAND developed an innovative business model of combining book rental service and food and beverage service.

EXCELLAND does not position itself as a bookstore, but a cultural hub, a content and experience provider. While information can be obtained from various sources, the channels itself is less importable. Nevertheless, the thing that matters is the content itself. Therefore, EXCELLAND does not aim to make profit from selling books, but providing books that are deliberately selected for the target customers in the form of book rental service. In addition, EXCELLAND takes the responsibility of serving the customers’ needs of reading the latest or imported books, which could not be accomplished by the public library. With food and beverage service, additional value and consumption experience could be added to the bookstore. By combining book rental service and food and beverage service, bookstore will no longer be a retail-based business, but a service-based business and an experience provider.

With the branding strategy, marketing strategy, operation management, finances management, and human resources management that will be implemented throughout the operation of EXCELLAND, the company aims to reach its goal of disseminating
culture and become a branded and reputable bookstore in long term. In EXCELLAND’s business plan, the company can reach its breakeven at the end of the first fiscal year while the investment of 300,000 Yuan will be covered at the end of the second fiscal year.

In conclusion, private bookstores could make a survival in China under the condition that they are willing to change and adopt the new technology. Our business plan could among the solutions for private bookstores to survive in the more competitive business environment. Though the technology development could be regarded as a threat to the traditional private bookstores, the owners of the bookstores can actually transforming crisis to opportunity by adopting new ideas and technology, targeting to the right group of people, and building long-term beneficial relationship by providing the right products.
Appendix

Appendix1: The Interview Outline of the In-depth Interview

1. The consumer behavior of reading, food and beverage service.
2. The acceptable level of the book rental service and food and beverage service.
3. The acceptable level of the additional service.
4. The additional suggestion about our service
5. The additional suggestion about our operation.
Appendix 2: The Questionnaire Survey

The Reading and Relaxation Market Research in Guangzhou University Town

Hello! We are the students of Hong Kong Baptist University. We are doing a market research about the reading and relaxation market in Guangzhou University Town. Your answers are very helpful to our research. The questionnaire will take you few minutes. Thanks for your help!

1. How often do you read the book? (except the newspaper and magazine):
   A. Once a day    B. Three times a week    C. Once a week
   D. Once two week  E. Once a month       F. More less

2. How much money you pay for reading in average? (include buy, rent and download e-books)? (Chinese yuan)
   A. Below 20    B. 21~50    C. 51~100    D. 101~150    E. Above 151

Scenario one: There is a book rental store near your university; they have the books that the university library does not have. If these books are very expensive/ or you do not have the need to collect them/ or you cannot buy from the Mainland Chinese bookstores.

3. Do you want to consider rent this book from this store?
   A. Yes    B. No

4. How long do you want to rent?
   A. One week    B. Two weeks    C. Three weeks    D. One mouth    E. More longer

5. If the rental price is 10% of the book price, do you think it is reasonable or not? (Rent one week)
   Reasonable                        Not reasonable at all
   1  2  3  4  5  6  7  8

6. In this scenario, how many books will you rent?
   A. 1    B. 2    C. 3    D. 4    E. 5    F. 6 and above

Scenario two: If you are in this elegant environment “book rental store”, and there are many comfortable seats. You can enjoy beverage and dessert here. And in this store, you also can read books collected by the store for free.
7. Do you want to spend in this store?
   A. Yes           B. No (Jump to No.10 question)

8. How much do you want to spend once a time? (Chinese yuan)
   A. Less than 5   B. 6~10      C. 11~15     D. 16~20     E. 20~30     F. 30 and above

The following questions are asking about your consumer behavior.

9. How often do you usually go to a comfortable drink shop and dessert shop, like cafe?
   A. Once a day      B. 2~3 times a week    C. Once a week   D. Once two weeks    E. Once a month    F. More less

10. According to the last question, how long will you stay in that kind of store?
    A. Within 1h      B. 1h ~2h     C. 2h~4h       D. above 4h

11. In the university town, how much do you usually pay for a beverage in a store? (Chinese yuan)
    A. 6~10           B. 11~15      C. 16~20      D. 20~30      E. Above 30

12. In the university town, how much do you usually pay for a dessert in a store? (Chinese yuan)
    A. 10~15          B. 16~20      C. 21~25      D. 26~30      E. Above 30

Individual Information

<table>
<thead>
<tr>
<th>Gender:</th>
<th>Major:</th>
<th>Grade (For students):</th>
</tr>
</thead>
</table>

Thanks for your answer!!
Appendix 3: The VI System of Excelland

1. The logo

2. The standard script

The English standard script of the logo is “Champagne & limousines”. And the Chinese standard script of the logo is “王漢宗細黑體繁”. 
3 The standard color

The standard color of us is following:

The gray (R: 109; G: 110; B: 113)

The blue (R: 67; G: 191; B: 194)

2.6 The application elements system of the VI system

The business card for management team
The letter paper

The envelope
The name card for employees

The paper bag for packaging
The box for packaging the food
The tag

This is the tag for our take-away food and beverage. And also the book of our store will have this tag.

The cup
The uniform for our waiter and waitress

The bookshelf in our store
Appendix 4: Calculation and Details of Financial Statement

Appendix 4.1 Details of fixed cost

<table>
<thead>
<tr>
<th>Items</th>
<th>Cost</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Books</td>
<td>1000</td>
<td>Add 20 new books monthly, 25RMB per book, 500RMB for foreign books</td>
</tr>
<tr>
<td>Rent</td>
<td>25000</td>
<td>at the ground floor, 250m²</td>
</tr>
<tr>
<td>Salary</td>
<td>19000</td>
<td>5 employees, 3800each</td>
</tr>
<tr>
<td>Utilities</td>
<td>4413</td>
<td>2 Internet 2338 RMB, electricity 1935 &amp; water 140 RMB</td>
</tr>
<tr>
<td>Magazines</td>
<td>400</td>
<td>16 per month, 25 RMB per magazine</td>
</tr>
<tr>
<td>Marketing promotions</td>
<td>967</td>
<td></td>
</tr>
<tr>
<td><strong>Year Total</strong></td>
<td><strong>723056</strong></td>
<td></td>
</tr>
</tbody>
</table>

Remarks: Books, electricity, water, magazines are calculated by 8 months since the business only run these months because of the summer and winter holiday of school. However, the expenses of rent, salary, marketing promotions are calculated by 12 months since these are continuous expenses.

Appendix 4.2 Calculations of sales

Forecast number of customers in the first year for foods and beverage:

\[
120000 \times \frac{1}{10} \times 0.86 \times 0.21 = 2167 \\
2167 \times 3.48 = 7541
\]

Notes:

- 120000 -- Total number of Guangzhou Daxuecheng (广州大学城) students
- 1/10 -- the amount Excelland targeted in the first year, i.e. the University of Guangzhou (广州大学)
- 0.86 -- 86% of people are willing to come to Excelland. Refers to survey data P39, “Do you want to spend in this store?”
- 0.21 -- 21% of people have consuming ability that is consistent with the price of Excelland, refers to survey data p39, “how much do you want to spend once a time?”
- 2167 -- Total number of our customers
- 3.48 -- frequency of customers, survey data, refers to p39
- 7541 -- person-time per month
Forecast number of customers in the second year for foods and beverage:

7.2*60*30=12960

Notes:
7.2 -- 12hr*60/100 (12*60—business hours, 100—average time customers stayed refers to the survey results in p41, “According to the last question, how long will you stay in that kind of store?”)
60 -- Maximum capacity of Excelland
30 -- Days
Reference


“佳能/Canon ic MF8050cn 彩色激光一体机 打印/复印/扫描/传真”. Retrieved May from http://item.taobao.com/item.htm?spm=a230r.1.14.82.0O7pVr&id=15749949173


“组装电脑台式全套 DIY 整机 A4 灭 I3 G620 内存 4G/500G 硬盘/游戏独显”．Retrieved May, 2013, from
http://item.taobao.com/item.htm?spm=a230r.1.14.311.wDveSi&id=17226814294


