

5 Things You Should Know Before Owning a Bookstore

Owning a bookstore is a dream of many. What could be more rewarding than being a champion of books and reading — making connections within your community and creating a career of your own?

While we're glad that you value locally owned bookstores and think you might want to own one, it makes good sense to find out more before you plunge right in. Whenever you think of changing careers, further training is a given — to learn a new industry, pick up skills, and know about the little things that can make a big difference to your success. There's a reason about the same number of stores open each year as close.

Are you ready to own a retail business? Here are five things you should know before you race to get into business:

- 1. A unique and somewhat quirky industry.** Unlike the gift and toy industries, the book industry operates on what we call "short margins". The gross margin in the book industry is roughly ten percent less than the others — and that means fewer dollars to cover overhead costs and leave a profit at the end of the day. When you see a jewelry store or gift store successfully operating for years, keep in mind the margins are much higher, so they can afford the best locations. Learn the nuances in the book industry.
- 2. Work retail.** If you've never stood on your feet all day, multi-tasked constantly, been an employer, met payroll and sales taxes, managed a staff schedule for around 70 hours a week, or balanced a cash drawer, there's lots to learn. If you love to cook, that doesn't mean you'll be a successful restaurateur. If you love to read and recommend books, that doesn't necessarily mean you'll enjoy being the *owner* of a retail bookstore business. Work any form of retail in today's marketplace as a test.
- 3. Don't fall in love.** With a location, that is. You might have started this journey of owning a bookstore because the perfect location has become available in your community. Some of the worst-case scenarios are when a new owner signs a lease before fully understanding a bookstore operating statement — and agrees to pay at rates that the business can never afford. Location costs (which include rent and associated fees, utilities, and maintenance) should not exceed ten percent of what you think you can sell annually. Be willing to walk away if the terms of the lease don't lend themselves to your success.
- 4. Know the value of your business.** What is your vision of success? How much of that has to do with what you can earn while owning a bookstore? When you're buying an existing business, rely on a professional, third party business valuation for that answer. How long can you go without taking a salary? It can take up to three years to establish a new business and break-even. If that idea keeps you awake at night, maybe it's a risk that is too great at this time. Know what you can build — or what you are buying.
- 5. Develop your network.** Both within your community and within the book industry, you'll need to meet new people who will be important to your success. From joining booksellers associations to learning the difference between buying through wholesalers and publishers, there are many people to meet who power the world of books. Inside your community, you'll need vendors, a bank, credit card processing — plus you'll need to know members of the media, business organizations, and other owners of indie retail operations. Keep gathering those business cards and making connections.

Starting a bookstore can cost \$125 per selling square foot and sometimes more. Many start-ups run much higher than that depending on the inventory selection, build-out, and marketing needs. The good news is that there are formal training opportunities, trade associations with valuable resources, and book industry vendors with critical products and services who want you to succeed. Your education will require more than taking a current bookseller out to lunch, however. Take your time to learn, plan, and implement your dream.