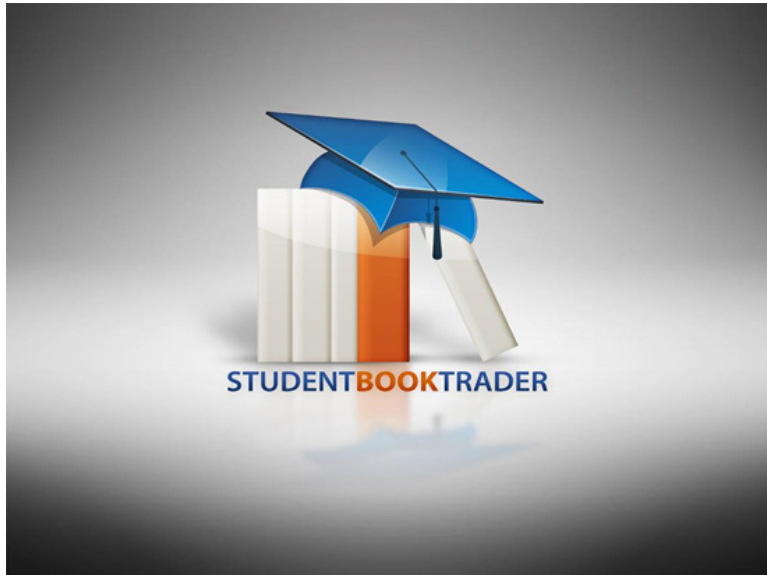


Appendix A



STUDENT BOOK TRADER
www.studentbooktrader.co.za

Business plan

November 2009

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1. EXECUTIVE SUMMARY

Student Book Trader wishes to apply for finance to the value of R200 000. The business plan serves to support this application to investors and lenders, as well as to serve as a tool in monitoring income and expenses and a guideline for operating the business effectively.

The business is owned through a partnership by Maxine Bolt and Gary Bolt. The partnership agreement has been signed. It states that the profit sharing and the operations of the business will be overseen by Maxine with the assistance of an independent contractor and advisory consultants. The partnership will be converted into a company structure in the second year of operation in order to take advantage of the lower tax base.

The targeted market for Student Book Trader is initially the University of Pretoria (UP), with growth to an additional six universities in Gauteng and thereafter all universities in South Africa. A survey done at the University of Pretoria revealed an interest in a portal to connect students for the exchange of second-hand books, as access to book shops by students is not convenient during peak times of the year. Student Book Trader has identified these gaps and addressed them in the business model presented in this business plan.

In addition to trading in second-hand books, Student Book Trader operates a value-for-money portal to students for communication regarding academic and social information and opportunities, as well as news updates. Student Book Trader obtains its revenue from different sources, including seller reg-

istration, buyer notification short message services (SMS), affiliated marketing and online trading via Student Book Trader's partners. This website contains numerous relevant links for student needs and interests.

Budgeting is based on turnover levels of R136 754 in the first year, growing to R2 163 647 in the second year when the business is operating at numerous Gauteng universities. The net profit margin is an average of R610 878 in year two, with a comfortable interest cover of 56 for the proposed five-year financing loan of R200 000 from interested lending institutions. The partners have contributed R10 000 of the required financing as a sign of commitment to the transaction. The partners have also committed to taking out insurance policies that could act as collateral for the loan.

2. BUSINESS DESCRIPTION

2.1 Background

Maxine Bolt, a second-year BCom Entrepreneurship student at the University of Pretoria (UP), has identified an opportunity in the student market for second-hand textbook trading. Based on a recent survey she conducted among a sample of 70 students on campus, 91% of the respondents found new university textbooks to be expensive and 83% indicated that they would be interested in buying second-hand textbooks. Fifty-seven per cent indicated that they had difficulty in locating the textbooks they required. Second-hand textbooks are currently traded

primarily through advertisements in the University newspaper, *Perdeby*, on campus and residence notice boards and via word of mouth.

Considering a market size of over 50 000 students at UP, all with access to the Internet on campus and an e-mail address assigned to them by the University, Student Book Trader has been conceptualised as an online second-hand book trading site. A domain has been registered at <http://www.studentbooktrader.co.za>

The business is based on a partnership agreement between Maxine Bolt and Gary Bolt, with profit share of 70% and 30% respectively. The enterprise will be operated by Maxine Bolt, as a permanent employee, from her residential address in Pretoria.

2.2 The industry

When analysing the existing online services for second-hand book exchange, the following three main competitors have been identified:

Name of competitor	<i>Textbook Heaven</i>	<i>Study Book Finder</i>	<i>Educated Books</i>
Area served	Pretoria	Country-wide	Country-wide
Services offered	R20 fee to advertise five books for six months	Free advertising of books	Free advertising of books

Operating model	Direct buyer-seller transaction	Direct buyer-seller transaction Registration on site Revenue generation through advertising – Ads by Google	Direct buyer-seller transaction Revenue generation through advertising – Ads by Google Links to sites for loan financing, MP3 downloads, study guides, etc.
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In order to gain a competitive advantage and enhance revenue flows, Student Book Trader needs to differentiate itself as the premium online second-hand book trading portal with a number of attractive features.

The service will be initiated in Pretoria, and in order to achieve economies of scale it will be rolled out to other tertiary education institutions in South Africa.

2.3 Student Book Trader offering

2.3.1 Second-hand book trading

After considering the question of what students would want from an online portal, and what would encourage them to use it, the business model has been developed into an online community resource for students at UP. While the University has an official portal, Vuma, Student Book Trader will be established as an interactive portal with book trading as its core business, and in addition will offer a range of services for students to keep their finger on the pulse of student life, both on and off campus. Student Book Trader will serve to pull together a wide

variety of disparate web services that are available for students, providing a convenient interface for students and providers to interact. Advertisers on the portal will benefit immensely from tapping into this central student community. Such additional services to be offered via the portal include:

- **Academic:** loan financing, tutoring, study guides, past exam papers and class notes
- **Social:** student hangouts, parties and concerts, accommodation rentals, driving lessons, part-time work, MP3 downloads, social networking tools
- **News updates:** students wishing to build their personal brands will be given a voice on the portal to run commentary and discussion groups in their fields of expertise, be they sport, politics, technology, innovation, economy and business, or climate change.

A sample list of envisaged links is included in Appendix 1.

One of the key advantages of such a portal is that it is able to work on multiple platforms in addition to personal computers, such as personal digital assistants (PDAs), and cellphones. Students are able to access information on the move, and needless to say, the portal will also be integrated with social networking tools such as Facebook and Twitter.

2.3.2 Partnerships with book stores

Another advantage of Student Book Trader's business is the convenience it provides to the student in the book shopping experience through partnerships with well-known book stores. A student can also buy new books through the website from

reputable bookshops and the books would either be delivered to the students' residences or students would collect the books at dedicated counters in the book stores with no time wasted in queues during peak time.

2.4 Business objectives

The business objectives for Student Book Trader in year 1 have been defined as follows:

- To become the most prominent online portal for trading of second-hand books among the UP target market
- To achieve sufficient revenue to break even in the first year of trading.

3. MARKETING STRATEGY

3.1 Target market

To describe the target market more specifically, Student Book Trader is targeted at students studying towards a tertiary degree or diploma on university or college campuses, who are in the market for prescribed textbooks. The business will initially focus on students at the various University of Pretoria (UP) campuses, but is designed to be applicable to student bodies across the country. Once the business has been established and if the business model proves successful, the intention is to roll it out to a broader audience. For the purposes of this document, the geographic scope of the target market is restricted to the UP campuses only in the first year of operation, and then it will be branched out to other major Gauteng-based campuses from year two onwards.

The primary target market is the 18 to 25-year age group, with minimal disposable income and no other demographic bias. The site is relevant to students from all faculties.

In terms of a psychographic profile, the target audience is highly technologically savvy, with cellphones and computers forming a natural part of their student lives. This generation has been termed the instant gratification generation, which explains the preference for the speed and convenience of online and mobile platforms. Students in this environment are also highly social, but also tend to be cash strapped, and it is believed that any means to save money or free up cash for social purposes will be welcome.

It is important also to note is the market can be divided into buyers and sellers, each with their own needs and motivations. It is believed that buyers will be desperate to save money on good-quality second-hand books, while sellers will be eager to access a convenient market for their products. These insights have been used in determining the pricing model to be applied.

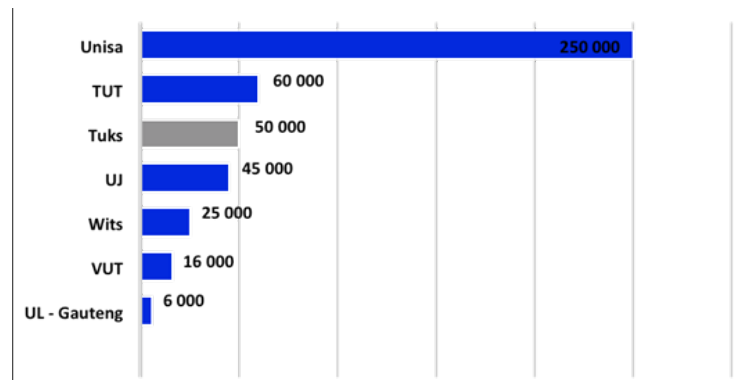
3.2 Market size

For the **first phase** of implementation (year 1) the market equates to the student population on all the UP campuses. It is estimated that this population numbered approximately 50 000 (contact and distance) students in 2008 (<http://www.ieasa.studysa.org>). It is believed that approximately 4 000 new students enrol at the University every year.

For the **second phase** of implementation the market equates to the student populations at other major university campuses

in the Gauteng region. Approximate populations on these campuses are depicted in Figure A.1.

FIGURE A.1 Student populations at major Gauteng-based university campuses



Source: <http://www.ieasa.studysa.org>

3.3 Research and analysis

A short investigative study was conducted among UP students to test the need for the proposed business solution. The research methodology took the form of face-to-face interviews, using a random sample of students located on the main campus. A total of 70 interviews were conducted with selected results shown below (see Appendix 2 for a detailed set of results). These leanings were incorporated into the design of the Student Book Trader service:

- The majority of UP students are between 18 and 25 years of age, are most likely to be white or black, and live within the Pretoria area.
- Textbooks are currently acquired relatively easily, and prices are easily compared.
- However, the majority of students find textbooks expensive, and would be open to purchasing second-hand textbooks.
- Students have access to the Internet, and are open to this channel as a means to buying and selling textbooks.
- The most important features of the proposed service are price (for which the books can be bought and sold), convenience and the condition that the books are in.

3.4 Competitive environment

In analysing the competitive environment, the following definitions were used:

- a. Primary competitive set - direct competition in the form of online second-hand book traders focused on the student market.
- b. Secondary competitive set - alternative channels through which second-hand books might be acquired, e.g. book shops, campus notice boards.

3.4.1 Primary competition

An online search revealed a number of websites offering a version of the proposed business solution, which are therefore in direct competition with Student Book Trader. The key competi-

tors are those listed in Section 2.2; however, all sites suffered from the same impediment of not having sufficient stock available to be traded (books listed for sale), and an insufficient number of members listed. These characteristics indicate that a key element of the marketing plan would involve a focus on stimulating interest among students, actively selling the site as a convenient solution to a common problem, and driving traffic and registrations.

3.4.2 Secondary competition

The traditional ways of acquiring second-hand textbooks still exist, but pose the following problems:

- **Physical book shops:** Considerable mark-ups on the books available at these stores are a barrier to purchase as the prices are only fractionally lower than the price of a new book.
- **Campus notice boards:** While these are a popular choice for acquiring leads on sought-after textbooks, students have to put in the legwork required to physically post their advertisements, or check notice boards for available books. This system is inconvenient and inefficient.

3.5 Potential market share

It is believed that a relevant well-stocked site, which is able to generate sufficient interest among the student body, is likely to achieve 7.5% of the number of registered students at UP campuses. This conservative estimate is based on the fact that the concept is new, and will require marketing spend to drive regis-

trations. A modest marketing budget is available for the first year of trading. Given this unknown territory, this modest estimate of 7.5% penetration is carried forward to the new territory approached in year 2 as well (i.e. registered students at other Gauteng universities).

3.6 Marketing objectives and positioning

For marketing efforts to be successful, they need to be tied closely to the business objectives that the business wishes to achieve. Given the objectives outlined in Section 2.4, and the business model, which requires a sufficient level of web traffic to create prominence in this industry, the marketing objectives for the first year of trading are:

- To establish the positioning of the website
- To drive a high volume of traffic to the website and build registration numbers.

The intention is to establish the following positioning for the business within a three-year period: “The most comprehensive online source of textbooks for cost-conscious students”.

3.7 The marketing plan

3.7.1 Product

The product offering has been described in Section 2.3. Essentially it is an online platform which performs the basic function of creating a trading space where buyers and sellers are able to make contact. In order to attract traffic it is necessary that the site be well designed, and be one that the young target market

is able to identify with. The service offering comprises two primary features, one being a subscription-based search and contact facility, the other being online book trading. It will have the following features:

- A search capability enabling browsers to search by title, author, price, etc.
- A “quality” description, forcing sellers to specify the condition of the books being loaded
- A “Notify me” capability, enabling an automatic SMS or e-mail message to be triggered when a book being sought is loaded
- Loyalty benefits for members with high trading activity (benefits to be determined)
- The added benefit of searching for and purchasing new books which are located at popular campus book stores (a useful option if the book is urgently sought and the student is not keen or not able to make the physical trip to the store)
- An online trading system made possible by Pastel E-Business model, which is customised to offer B2B integration with bookshops and also B2C interaction with the students
- Added-value services relating to social and academic activity and news relevant to students.

It is important to note that the proposed business model does not entail Student Book Trader being involved in the collection, quality check and delivery of books in any way, other than in the case of new books bought from student book stores availa-

ble on the site. For second-hand books, the site merely provides the buyer with the seller's details, and the transfer of the book and payment is arranged between the two directly.

3.7.2 Pricing

An effective pricing model is crucial in order to ensure the sustainability of the business. In determining pricing, the following have been taken into account:

- Buyers are likely to pay for the convenience of accessing a seller's details immediately.
- Sellers are likely to pay for access to a captive market.
- Campus bookshops will be keen to access the online book shopper, and would be willing to pay a fee for access.

The following pricing structure is proposed once the business has been established:

	Registration fee	Commission per book	Comment
Sellers	R35	None	Valid for 6 months, or 10 books registered
Buyers	None	10%	*Calculated as a percentage of the advertised price of the book
Campus book stores	n/a	5%	**Calculated as a percentage of the advertised price of the book. Optional delivery fee not included

Student Book Trader would also sell advertising space with student-related suppliers, as well as register with Google Ad-sense also for advertising revenue based on the number of clicks.

3.7.3 Distribution

Second-hand books will be accessed via a single URL, <http://www.studentbooktrader.co.za>

In the case of new books purchased from campus book store stock, the list of available books will also be accessed via the above site, although these books are physically located at the stores themselves. Once purchased, the student has the option of collecting the book personally, or having it delivered at a fee. For the online trading of the books of the major books stores, the responsibility for distribution lies with the book stores through dedicated counters for online customers and a delivery service managed by the book stores.

*The buyer is paying for access to the seller's details, which will be sent via sms or e-mail notification once payment is received.

**The buyer pays via debit or credit card immediately. There is the option of having the book delivered at an additional fee of R25 for all deliveries within a 50-kilometre radius of the bookshops.

3.7.4 Advertising and promotions

The promotional element of the marketing plan is particularly important within the proposed business model. The ability of the site to generate revenue is dependent on students being aware of the service, being convinced of the benefit that it offers, and being drawn to interact with it. As such, marketing activity designed to raise awareness and draw traffic to the site is key.

The market is also seasonal in nature, with the demand for textbooks increasing at the beginning of each academic term. Marketing activity will be scheduled to take advantage of the fluctuation in demand. The following marketing tactics are proposed; a schedule of initial associated costs can be viewed in Appendix 3.

Launch activity	
Radio advertising	Weekday live reads using popular DJ
Brochures/pamphlets	To be distributed at first-year registration, high-traffic areas on campus, notice boards
Social media marketing	Facebook adverts to target this specific market in an online environment in which they interact regularly
Online	Online banners on selected websites Registering with key search engines Google Adwords campaign
Prize giveaway	Lucky draw giveaway to drive registrations

Maintenance activity	
Brochures/pamphlets	To maintain exposure and advertise recent listings
Limited online ad swaps	Possible when site traffic has reached a level that is "tradeable"
Direct marketing	Intermittent sms and e-mail messages to registered user base

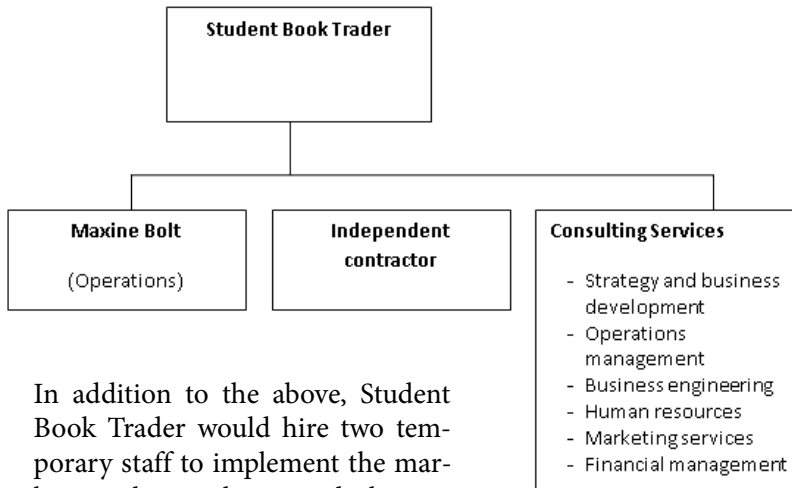
4. OWNERSHIP AND MANAGEMENT

Student Book Trader is an entity based on a partnership agreement between Maxine Bolt and Gary Bolt, with a profit share of 70 and 30% respectively. The enterprise will be operated by Maxine Bolt, as a permanent employee, from her residential address in Pretoria.

An agreement will be signed with a Web Administrator (Solid Project) as an independent contractor to update the website regularly and to manage user accounts and electronic transactions.

The company will also employ the services of the following consultants as the need arises:

- Marketing and brand management – Dhatchani Naidoo
- Strategy and business development – Ginny Verran
- Operations management – Nico Schoeman
- Business engineering – Nevushoma Mateko
- Human resources – Rashem Mothilal
- Financial management and reporting – Zanele Ngwenya



In addition to the above, Student Book Trader would hire two temporary staff to implement the marketing plan in the second phase at each university.

Student Book Trader will not register for VAT as it believes that the revenue in the first few years of trading would not exceed the VAT registration threshold.

Student Book Trader has not opened a bank account as it intends to open the bank account with the institution that will finance this business initiative to promote loyalty with financing institutions.

Gary Bolt will offer Student Book Trader the use of the premises and postal address of Mark Five Business Consulting (Proprietary) Ltd, a company owned by Gary Bolt, the partner in business. The details are as follows:

Postal address	P.O. Box 14122, Flamwood Walk, 2535
Telephone details/Cellphone	Cell: 082 859 2298
E-mail address	maxinebolt@gmail.com

5. FINANCIAL PLAN

5.1 Revenue generation model

A model of multiple income streams is proposed so as to bolster the business against the possibility of a single source of revenue inadvertently drying up. Though alluded to in previous sections, the revenue streams are specified below:

Revenue generation – Year 1	
Registration fee for sellers	Sellers pay for limited access to a ready market
Commission per book sale – buyers	Buyers pay for access to seller's details per book sold
Commission per new book sale – book stores	Book stores pay commission for sales via Book Trader site
Additional revenue streams – Year 2	
Google Adsense	Listing on Google Adsense – pay-per-click revenue
Affiliate marketing	Listing of affiliate links – pay-per-click revenue
Selling advertising space	Advertisers' banners placed on website for a fee

5.2 Financing

The proposed financing structure has some significant advantages for the financier, including:

1. The owners have reaffirmed their commitment to an investment of R10 000, including the design and development of the website at a cost of R8 500.
2. The financier will take cession over key individual insurances.
3. It was noted earlier that Student Book Trader will embark on an aggressive marketing campaign for the first six months; therefore six months' working capital has been included as part of the financing plan.

FINANCE REQUIREMENT				
Investments	Price vat incl.	Unit	Total	Remarks
Website design	R8 500.00	1	R8 500.00	Per invoice
Initial marketing campaign	R30 857.52	1	R30 857.52	Per marketing activity plan
Working capital				
6 months' working capital	R11 879.25	6	R71 275.50	Prime plus 1% risk premium
Working capital for Gauteng launch	R65 000.00	1	R65 000.00	Prime plus 1% risk premium
Administrative requirements				
Legal cost	R8 500.00	1	R8 500.00	Partnership agreement and supplier agreement
Laptop including software – Maxine	R15 000.00	1	R15 000.00	Various media advertisements
TOTAL REQUIRED	R200 000.00		R199 133.02	

How financed				
Partner contribution			R10 000.00	Per loan agreement
FINANCING REQUIRED	R190 000.00	rounded off	R189 133.02	

5.3 The key assumptions

ASSUMPTIONS					
General assumptions	Number of students	Sellers	Buyers	Number of institutions	Remarks:
University of Pretoria	50 000	3 590	3 770	1	Year 1 – only
Gauteng universities	452 000	32 454	34 077	7	Starting in year 2 (at same ratio of sellers and buyers per year 1)
Buyer repeat on reactivation	5%	per buyer notifications			
Online traders	20%	of second-hand buyers			
Delivery charge	5	R25.00	books per delivery		
Online transaction cost	R1.50	per buyer transaction and online trading transaction			
Taxation	0	Taxed in the hands of owners on drawings	Convert into private company in year 2		
Salary increase rate	0.1	per annum			

Inflation rate expenses	0.06	per annum		
Funding financials				
Investor returns - 60 months	12%	per year		1% risk premium included
Partners loan – Interest rate – 60 months	11%	per year		per loan agreement (Mark Five Consulting)
Income streams	Cost	Average price of book	Buyers	Remarks
Seller registration	R35.00	per registration limited to 10 books		
Buyer notification	10%	R250.00	25	Commission based on average price of second-hand books
Online trading (partners)	5%	R400.00	20	Commission based on average price of new books – starting in July of year 1
Google Adsense		starting in year 4		
Direct links				
Private property	R1.00	per click		10% of total buyers and sellers
Advertising space	R75.00	per thousand clicks, if greater than 25 000 clicks		10% of total buyers and sellers
Revenue escalation rate	2%	per annum		

5.4 Breakeven and cash flow projections

Student Book Trader will need to operate at a turnover level of R180 859 to achieve breakeven. Breakeven operations will not be difficult to achieve if the business achieves an average penetration rate of 7.5% of the student population of the University of Pretoria.

Cash flow projections have been estimated conservatively with the following assumptions:

- Based on the university calendars and trends, the expected traffic count on the website would be seasonal. Therefore our assumptions include turnover increases for January and February, July and August (during registration periods).
- Additional resources will be trained in November to be able to implement the proposed marketing activity to additional universities in the second year.
- The Pastel E-Business model will be acquired in the middle of the first year to accommodate the online trading with the existing book stores and implementation of the Student Book Trader E-commerce facility.

5.5 Year 1 – Income statement and cash flows

CASH FLOW		YEAR1											STUDENT BOOK TRADER
	DEC	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEP	OCT	NOV	YEARTOTALS
Sellers		520	1980	200	50	10	150	300	300	50	20	10	3590
INCOME		R0.00	R0.00	R7,000.00	R1,750.00	R350.00	R5,250.00	R10,500.00	R10,500.00	R1,750.00	R700.00	R350.00	R38,150.00
Buyers		546	2079	210	52.5	10.5	157.5	315	315	52.5	21	10.5	3590
INCOME		R13,650.00	R51,975.00	R5,250.00	R1,312.50	R262.50	R3,937.50	R7,875.00	R7,875.00	R1,312.50	R525.00	R262.50	R94,237.50
Online trading								63	63	11	5	3	
INCOME		R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R1,575.00	R1,575.00	R275.00	R125.00	R75.00	R3,625.00
Affiliated marketing		107	406	41	11	3	31	62	62	11	5	3	
INCOME		R107.00	R406.00	R41.00	R11.00	R3.00	R31.00	R62.00	R62.00	R11.00	R5.00	R3.00	R742.00
Space selling		0	0	0	0	0	0	0	0	0	0	0	
INCOME		R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00

TOTAL INCOME	R13,757.00	R52,381.00	R12,291.00	R3,073.50	R615.50	R9,218.50	R20,012.00	R20,012.00	R3,348.50	R1,355.00	R690.50		R136,754.50
Delivery							12.6	12.6	2.2	1	0.6		
COST OF SALES	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R315.00	R315.00	R55.00	R25.00	R15.00		R725.00
GROSS PROFIT	R0.00	R13,757.00	R52,381.00	R12,291.00	R3,073.50	R9,218.50	R19,697.00	R19,697.00	R3,293.50	R1,330.00	R675.50		R136,029.50

EXPENSES:

ACCOUNTING & AUDITING	R0.00	R500.00	R500.00	R500.00	R500.00	R500.00	R500.00	R500.00	R500.00	R500.00	R500.00	R500.00	R5,500.00
PREMISES RENTAL		R500.00	R500.00	R500.00	R500.00	R500.00	R500.00	R500.00	R500.00	R500.00	R500.00	R500.00	R5,500.00
TEL & FAX	R0.00	R250.00	R250.00	R250.00	R250.00	R250.00	R250.00	R250.00	R250.00	R250.00	R250.00	R250.00	R2,750.00
BANK COSTS	R0.00	R350.00	R350.00	R350.00	R350.00	R350.00	R350.00	R350.00	R350.00	R350.00	R350.00	R350.00	R3,850.00
ONLINE TRANSACTIONS COSTS		R819.00	R3,118.50	R315.00	R78.75	R15.75	R236.25	R567.00	R567.00	R95.25	R39.00	R20.25	R5,871.75
INSURANCE	R0.00	R250.00	R250.00	R250.00	R250.00	R250.00	R250.00	R250.00	R250.00	R250.00	R250.00	R250.00	R2,750.00
WEB HOSTING	R200.00	R200.00	R200.00	R200.00	R200.00	R200.00	R200.00	R200.00	R200.00	R200.00	R200.00	R200.00	R2,400.00
MARKETING FEES – RADIO	R0.00				R5,959.25	R5,959.25	R5,959.25	R5,959.25	R5,959.25	R5,959.25	R5,959.25	R5,959.25	R47,674.00
MARKETING FEES – PRESS	R0.00	R1,320.00	R1,320.00	R1,320.00	R1,320.00	R1,320.00	R1,320.00	R1,320.00	R1,320.00	R1,320.00	R1,320.00	R1,320.00	R14,520.00
OPERATIONAL SALARIES	R0.00	R2,500.00	R2,500.00	R2,500.00	R2,500.00	R2,500.00	R2,500.00	R2,500.00	R2,500.00	R2,500.00	R2,500.00	R2,500.00	R27,500.00
ENTERTAINMENT		R50.00	R50.00	R50.00	R50.00	R50.00	R50.00	R50.00	R50.00	R50.00	R50.00	R50.00	R550.00
SOFTWARE LICENCE							R2,000.00	R2,000.00	R2,000.00	R2,000.00	R2,000.00	R2,000.00	R12,000.00
LEGAL COSTS						R8,500.00						R5,000.00	R13,500.00
TRAINING												R16,800.00	R16,800.00
													R0.00
TOTAL EXPENSES	R200.00	R6,739.00	R9,038.50	R6,235.00	R11,958.00	R20,395.00	R14,115.50	R14,446.25	R14,446.25	R13,974.50	R13,918.25	R35,699.50	R161,165.75

NPBIT	-R200.00	R7,018.00	R43,342.50	R6,056.00	-R8,884.50	-R19,779.50	-R4,897.00	R5,250.75	R5,250.75	-R10,681.00	-R12,588.25	-R35,024.00	-R25,136.25
PARTNERS LOAN INTEREST	R91.67	R90.51	R89.35	R88.18	R86.99	R85.80	R84.59	R83.37	R82.14	R80.90	R79.65		R943.15
BUSINESS LOAN INTEREST	R1,820.83	R1,798.24	R1,775.43	R1,752.40	R1,729.14	R1,705.67	R1,681.97	R1,658.05	R1,633.89	R1,609.50	R1,584.88		R18,750.01
NET PROFIT BEFORE TAX	-R200.00	R5,197.17	R41,544.26	R4,280.57	-R10,636.90	-R21,508.64	-R6,602.67	R3,568.78	R3,592.70	-R12,314.89	-R14,197.75	-R36,608.88	-R43,886.26
Tax	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00
NET PROFIT	-R200.00	R5,197.17	R41,544.26	R4,280.57	-R10,636.90	-R21,508.64	-R6,602.67	R3,568.78	R3,592.70	-R12,314.89	-R14,197.75	-R36,608.88	-R43,886.26
INTEREST COVER		3.85	24.10	3.41	-5.07	-11.44	-2.87	3.12	3.17	-6.54	-7.82	-22.10	-1.34
NET PROFIT %		37.78%	79.31%	34.83%	-346.08%	-3494.50%	-71.62%	17.83%	17.95%	-367.77%	-1047.80%	-5301.79%	-32.09%

Opening balance	R10,000.00	R191,300.00	R139,564.46	R178,510.94	R180,170.92	R166,890.40	R137,014.88	R127,721.86	R128,576.59	R129,431.32	R114,354.30	R97,370.03
Add: Gross profit	R0.00	R13,757.00	R52,381.00	R12,291.00	R3,073.50	R615.50	R9,218.50	R19,697.00	R19,697.00	R3,293.50	R1,330.00	R675.50
Sub Total	R10,000.00	R205,057.00	R191,945.46	R190,801.94	R183,244.42	R167,505.90	R146,233.38	R147,418.86	R148,273.59	R132,724.82	R115,684.30	R98,045.53
Less: Loan payments	R0.00	R-4,178.60	R-4,178.60	R-4,178.60	R-4,178.60	R-4,178.60	R-4,178.60	R-4,178.60	R-4,178.60	R-4,178.60	R-4,178.60	R-4,178.60
Less: Loan repayment (Partner)	R0.00	R-217.42	R-217.42	R-217.42	R-217.42	R-217.42	R-217.42	R-217.42	R-217.42	R-217.42	R-217.42	R-217.42
Less: Start-up expenses	R-8,500.00	R-54,357.52				R-5,700.00						
Less: Expenses	R-200.00	R-6,739.00	R-9,038.50	R-6,235.00	R-11,958.00	R-20,395.00	R-14,115.50	R-14,446.25	R-14,446.25	R-13,974.50	R-13,918.25	R-35,699.50
Less: Taxation		R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00
Cash flows	R1,300.00	R-51,735.54	R38,946.48	R1,659.98	R-13,280.52	R-29,875.52	R-9,293.02	R854.73	R854.73	R-15,077.02	R-16,984.27	R-39,420.02
SURPLUS/DEFICIT	R1,300.00	R139,564.46	R178,510.94	R180,170.92	R166,890.40	R137,014.88	R127,721.86	R128,576.59	R129,431.32	R114,354.30	R97,370.03	R57,950.01

5.6 Year 2 – Income statement and cash flows

CASH FLOW		YEAR 2											STUDENT BOOK TRADER
	DEC	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEP	OCT	NOV	YEARTOTALS
Sellers	181	4521	17900	1809	453	91	1357	2713	2713	453	181	91	32454
INCOME	R6461.70	R161,399.70	R639,030.00	R64,581.30	R16,172.10	R3,248.70	R8,444.90	R6,854.10	R96,854.10	R16,172.10	R6,461.70	R3,248.70	R1152,467.40
Buyers	191	4748	18795	1900	476	96	1425	2849	2849	476	191	96	34076.7
INCOME	R4,870.50	R121,074.00	R479,272.50	R48,450.00	R12,138.00	R2,448.00	R36,337.50	R72,649.50	R72,649.50	R12,138.00	R4,870.50	R2,448.00	R864,475.50
Online trading	39	950	3759	380	96	20	285	570	570	96	39	20	
INCOME	R795.60	R19,380.00	R76,683.60	R7,752.00	R1,958.40	R408.00	R5,814.00	R11,949.30	R11,949.30	R2,014.50	R821.10	R423.30	R139,949.10
Affiliated marketing	38	927	3670	371	93	19	279	557	557	93	38	19	
INCOME	R38.76	R945.54	R3,743.40	R378.42	R94.86	R19.38	R284.58	R568.14	R568.14	R94.86	R38.76	R19.38	R6,755.46
Space selling	0	0	0	0	0	0	0	0	0	0	0	0	
INCOME	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00
TOTAL INCOME	R12,166.56	R302,799.24	R1,198,729.50	R121,161.72	R30,363.36	R6,124.08	R90,880.98	R182,021.04	R182,021.04	R30,419.46	R12,192.06	R6,139.38	R2,163,647.46
Delivery	7.8	190	751.8	76	19.2	4	57	114	114	19.2	7.8	4	
COST OF SALES	R198.90	R4,845.00	R19,170.90	R1,938.00	R489.60	R102.00	R1,453.50	R2,907.00	R2,907.00	R489.60	R198.90	R102.00	R34,802.40
GROSS PROFIT	R11,967.66	R297,954.24	R1,179,558.60	R119,223.72	R29,873.76	R6,022.08	R89,427.48	R179,114.04	R179,114.04	R29,929.86	R11,993.16	R6,037.38	R2,140,216.02
EXPENSES:													
ACCOUNTING	R530.00	R530.00	R530.00	R530.00	R530.00	R530.00	R530.00	R530.00	R530.00	R530.00	R530.00	R530.00	R6,360.00
AUDITING FEES	R2,500.00	R2,500.00	R2,500.00	R2,500.00	R2,500.00	R2,500.00	R2,500.00	R2,500.00	R2,500.00	R2,500.00	R2,500.00	R2,500.00	R30,000.00
PREMISES RENTAL	R530.00	R530.00	R530.00	R530.00	R530.00	R530.00	R530.00	R530.00	R530.00	R530.00	R530.00	R530.00	R6,360.00
TEL & FAX	R1,855.00	R1,855.00	R1,855.00	R1,855.00	R1,855.00	R1,855.00	R1,855.00	R1,855.00	R1,855.00	R1,855.00	R1,855.00	R1,855.00	R22,260.00
BANK COSTS	R371.00	R371.00	R371.00	R371.00	R371.00	R371.00	R371.00	R371.00	R371.00	R371.00	R371.00	R371.00	R4,452.00
ONLINE TRANSACTIONS	R653.49	R16,248.21	R64,321.86	R6,501.51	R1,629.75	R329.13	R4,876.53	R9,749.88	R9,749.88	R1,629.75	R653.49	R329.13	R116,672.61

COSTS													
INSURANCE	R265.00	R265.00	R265.00	R265.00	R265.00	R265.00	R265.00	R265.00	R265.00	R265.00	R265.00	R265.00	R3,180.00
WEB HOSTING	R212.00	R212.00	R212.00	R212.00	R212.00	R212.00	R212.00	R212.00	R212.00	R212.00	R212.00	R212.00	R2,544.00
MARKETING FEES – RADIO	R6,316.81	R44,217.64	R44,217.64	R44,217.64	R44,217.64	R44,217.64	R44,217.64	R44,217.64	R44,217.64	R44,217.64	R44,217.64	R44,217.64	R49,271.79
MARKETING FEES – PRESS	R9,794.40	R9,794.40	R9,794.40	R9,794.40	R9,794.40	R9,794.40	R9,794.40	R9,794.40	R9,794.40	R9,794.40	R9,794.40	R9,794.40	R11,532.80
OPERATIONAL SALARIES	R37,750.00	R37,750.00	R37,750.00	R37,750.00	R37,750.00	R37,750.00	R37,750.00	R37,750.00	R37,750.00	R37,750.00	R37,750.00	R37,750.00	R453,000.00
ENTERTAINMENT	R371.00	R371.00	R371.00	R371.00	R371.00	R371.00	R371.00	R371.00	R371.00	R371.00	R371.00	R371.00	R4,452.00
SOFTWARE LICENCES	R2,120.00	R2,120.00	R2,120.00	R2,120.00	R2,120.00	R2,120.00	R2,120.00	R2,120.00	R2,120.00	R2,120.00	R2,120.00	R2,120.00	
LEGAL COSTS													R0.00
TRAINING												R16,800.00	R16,800.00
													R0.00
TOTAL EXPENSES	R63,268.70	R116,764.25	R164,832.90	R107,017.55	R102,145.79	R100,845.17	R105,392.57	R110,265.92	R110,265.92	R102,145.79	R101,169.53	R117,645.17	R1,276,324.20

NET PROFIT BEFORE

TAX	-R51301.04	R181190.00	R1014720.71	R122061.8	-R72272.03	-R94823.09	-R15965.09	R68 848.13	R68 848.13	-R72 215.93	-R89 176.37	-R111 607.79	R863 891.82
PARTNER LOAN REPAYMENT	R78.39	R77.11	R75.83	R74.53	R73.22	R71.90	R70.56	R69.22	R67.86	R66.49	R65.10	R63.71	R775.53
BUSINESS LOAN REPAYMENT	R1,560.03	R1,534.93	R1,509.60	R1,484.02	R1,458.20	R1,432.13	R1,405.81	R1,379.23	R1,352.41	R1,325.32	R1,297.98	R1,270.37	R15,449.99

NET PROFIT BEFORE

TAX	-R52861.06	R179655.06	R1013211.11	R107221.6	-R73730.22	-R96255.21	-R17370.89	R67 468.89	R67 495.72	-R73 541.25	-R90 474.34	-R112 878.16	R848 441.83
Tax	R0.00	R35,502.32	R283,699.11	R3,002.20	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R237,563.71

NET PROFIT

-R52,861.06	R144,152.74	R729,512.00	R7,719.95	-R73,730.22	-R96,255.21	-R17,370.89	R67,468.89	R67,495.72	-R73,541.25	-R90,474.34	-R112,878.16	R610,878.12
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INTEREST COVER

-32.88	118.04	672.18	8.23	-49.56	-66.21	-11.36	49.92	50.91	-54.49	-68.70	-87.85	55.92
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NET PROFIT %

434.48%	47.61%	60.86%	6.37%	-242.83%	-1571.75%	-19.11%	37.07%	37.08%	-241.76%	-742.08%	-1838.59%	28.23%
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Opening balance

Add: Gross profit

Subtotal

Less: Loan payments

Less: Loan payments

Less: Capex

Less: Expenses

Less: Taxation

Cash flows**SURPLUS/DEFICIT**

R57,950.01	R2,252.96	R143,544.61	R765,170.19	R769,978.14	R693,310.10	R594,090.99	R573,729.89	R638,181.99	R702,634.10	R626,022.15	R532,449.77
R11,967.66	R297,954.24	R1,179,558.60	R119,223.72	R29,873.76	R6,022.08	R89,427.48	R179,114.04	R179,114.04	R29,929.86	R11,993.16	R6,037.38
R69,917.67	R300,207.20	R1,323,103.21	R884,393.91	R799,851.90	R699,332.18	R683,518.47	R752,843.93	R817,296.03	R732,563.96	R638,015.31	R538,487.15
R-4,178.60	R-4,178.60	R-4,178.60	R-4,178.60	R-4,178.60	R-4,178.60	R-4,178.60	R-4,178.60	R-4,178.60	R-4,178.60	R-4,178.60	R-4,178.60
R-217.42	R-217.42	R-217.42	R-217.42	R-217.42	R-217.42	R-217.42	R-217.42	R-217.42	R-217.42	R-217.42	R-217.42
		R-105,000.00									
R-63,268.70	R-116,764.25	R-164,837.90	R-107,017.55	R-102,145.79	R-100,845.17	R-105,392.57	R-110,265.92	R-110,265.92	R-102,145.79	R-101,169.53	R-117,645.17
R0.00	R-35,502.32	R-283,699.11	R-3,002.20	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00
R-55,697.05	R141,291.66	R621,625.58	R4,807.95	R-76,668.04	R-99,219.10	R-20,361.10	R64,452.11	R64,452.11	R-76,611.94	R-93,572.38	R-116,003.80
R2,252.96	R143,544.61	R765,170.19	R769,978.14	R693,310.10	R594,090.99	R573,729.89	R638,181.99	R702,634.10	R626,022.15	R532,449.77	R416,445.96

6. CRITICAL RISKS AND DEPENDENCIES

Some of the more critical risks and dependencies have been identified, as well as mitigating actions. These can be summarised as follows:

Risk	Mitigating actions
Reliable web traffic statistics for advertising revenue	Reliable web administrator Multiple revenue streams
Seasonality (creating volatile income levels)	Business must be optimised during peak seasons Diversified value-added services offered Positioning the portal as the premier student trading site
The model is easy to replicate	Constantly innovating service offerings
Dependence on cutting-edge technology	Best of breed web administrator appointed
Success dependent on marketing effectiveness	Keeping in touch with the most effective means to communicate with the youth market Ensuring relevant youth trends are incorporated into marketing initiatives

6.1 SWOT analysis

Further to the identification of critical risks, a SWOT analysis has been conducted to provide an overall perspective on the business's strengths, weaknesses, opportunities and threats.

STRENGTHS
<ul style="list-style-type: none"> • On-line facility which appeals to tech-savvy students • Proximity to customers (buyers and sellers) • Attractiveness of second-hand books to cost-conscious students • Supported by the Innovation Hub at UP • Relatively simple business model • Electronic inventory • Relatively low start-up capital required • Business venture is not capital intensive • No infrastructure required except for online platform • All students have free access to the Internet on campus • Cost of Internet access rapidly decreasing

WEAKNESS

- Reliance on technology for all aspects of interface with customers requires constant maintenance and functionality of the site
- Potential abuse of the system by buyers/sellers
- Sustained advertising revenues dependent upon frequency of hits on site and size of the registered student database
- Need regular updates of material in the on-line store in order to keep information current and up-to-date which will increase costs
- The site needs to be fast and easy to use which will increase costs
- Need a strong incentive to encourage students to register on website as either buyers or sellers

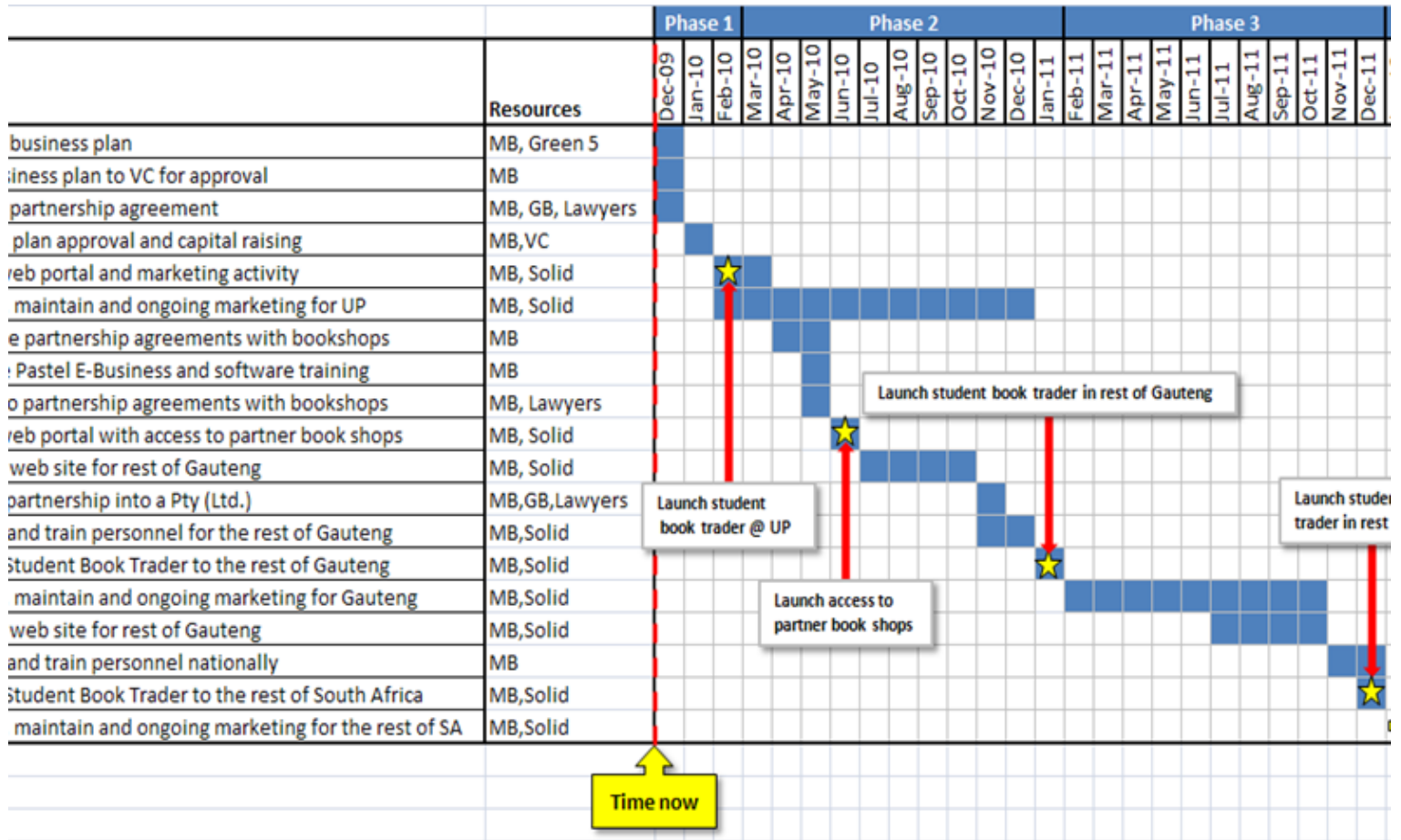
THREATS

- Business model can be easily duplicated
- Traditional bookstores with available/accessible stock on demand
- Campus notice boards which may be easier to use and cost-free
- Bursary students with bursar accounts at traditional book stores
- Students are extremely fickle and the site needs to be constantly refreshed and updated to maintain interest
- Students are highly price sensitive and the items on offer have to be competitively priced to attract them to the site
- Seasonal book sales threaten the sustainability of revenues throughout the year and the ability to cover fixed costs

OPPORTUNITIES

- Can post a list of prescribed textbooks for each course on the site with links to available books
- Students who register on the website also specify the course for which they are enrolled and will be notified when books for their subjects become available
- Can sell advertising space to companies targeting students (music stores, restaurants, etc.)
- Can also advertise rental accommodation, tutoring services, car and real estate sales targeted at students
- Product diversification to include student equipment (drawing boards, scientific and financial calculators, dissection kits), computers and electronic equipment
- Could link into a text messaging system to alert students when books and other items of relevance become available or when a buyer has contacted them
- Become the campus online notice board (sports and social events)
- Potential to expand the platform to include all tertiary institutions in SA with an estimated student population of 500 000

7. MILESTONE SCHEDULE



8. APPENDICES

Appendix 1

Please find included below a sample list of envisaged categories that Student Book Trader will link to.

- Second-hand car sales
- Student loans
- Dating and chat services
- Accommodation
- Part-time work
- Upcoming events
- Campus radio live audio streaming
- Sports events and results
- Driving schools
- Recruitment and gap year information
- Online games
- Social networking
- Varsity group space - access to members registered at every South African university

Appendix 2

Survey questionnaire

STUDENT BOOK TRADER ENTREPRENEURSHIP PROJECT

I am doing research on a new business idea for an entrepreneurship project. My idea is to host a website that allows students to buy and sell second-hand textbooks from each other. I would greatly appreciate it if you could help by filling out this questionnaire.

Please put a tick next to the appropriate answer where necessary. In Part B, feel free to add a comment in the space provided.

All information will be treated as confidential.

PART A

Field/course of study: _____

Year of study:

Undergraduate – 1st, 2nd, 3rd, etc. _____

(State year)

Postgraduate

Honours

Master's

Doctorate (PhD)

Age:

<18 18-21 22-25 >26

Gender:

Female Male

Race:

Asian Black Coloured Indian White

Income (per month):

<R999 R1 000-R1 999 R2 000-R4 999 >R5 000

Language:

English Afrikaans (Southern Sotho)

Sesotho Setswana IsiNdebele

SiSwati IsisXhosa Tshivenda

IsiZulu Xitsonga Northern Sotho (Sepedi)

Other _____ (State language)

Residence:

Pretoria

Johannesburg

Other _____ (State city)

If Pretoria, what area/suburb do you stay in?

PART B

QUESTION 1

Do you find textbooks to be expensive?

Yes No

Comment:

QUESTION 2

Would you buy second-hand textbooks?

Yes No

Comment:

QUESTION 3

Do you acquire the textbooks you want easily?

Yes No

Comment:

QUESTION 4

Are you able to compare textbook prices easily?

Yes No

Comment:

QUESTION 5

Do you find selling your old textbooks easy?

Yes No

Comment:

QUESTION 6

Have you ever used the Click-Up SOS messages system to list textbooks that you wanted to buy or sell?

Yes No

Comment:

QUESTION 7

Would you use the Internet to buy textbooks if you could get them at much cheaper prices?

Yes No

Comment:

QUESTION 8

Would you use the Internet to sell your old textbooks?

Yes No

Comment:

QUESTION 9

Do you have access to the Internet?

Yes No

Comment:

QUESTION 10

What do you spend on average per semester on textbooks?

Yes No

Comment:

QUESTION 11

What are important features of this service for you?

Price Time spent (saved)

Convenience Condition of books

Thank you for your time.

CONTACT DETAILS

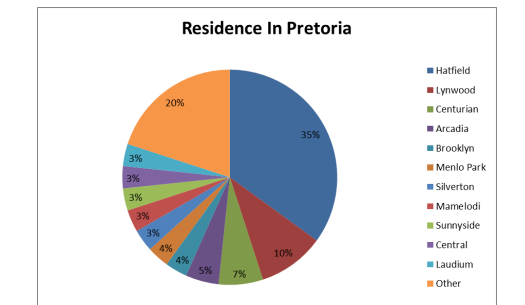
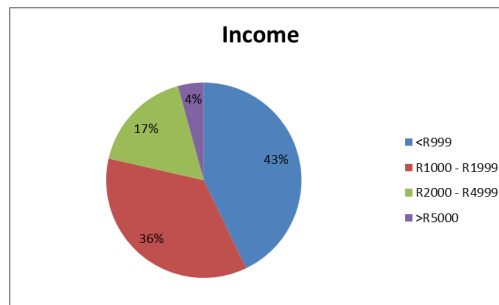
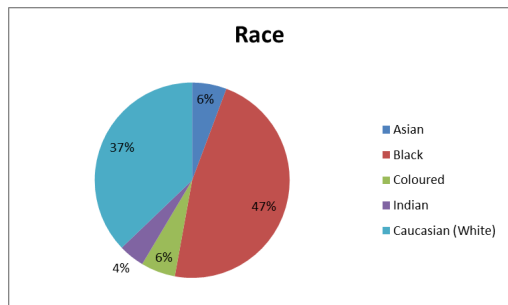
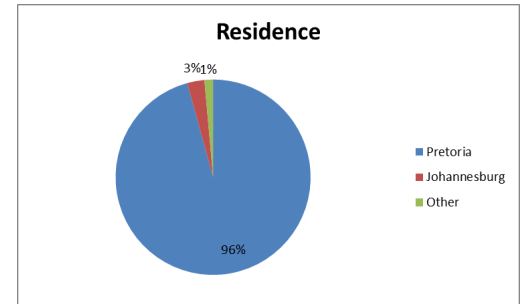
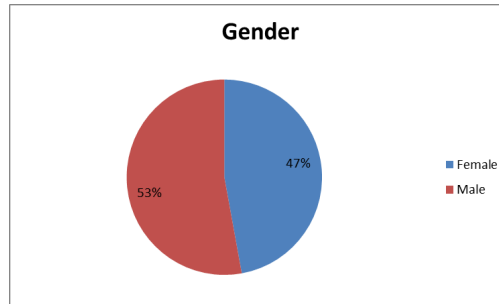
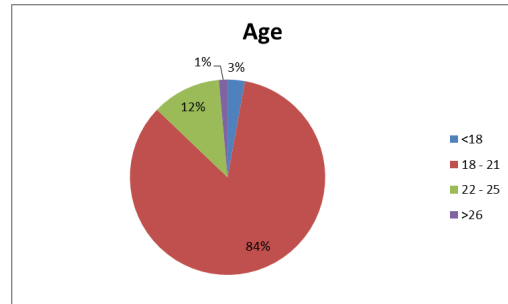
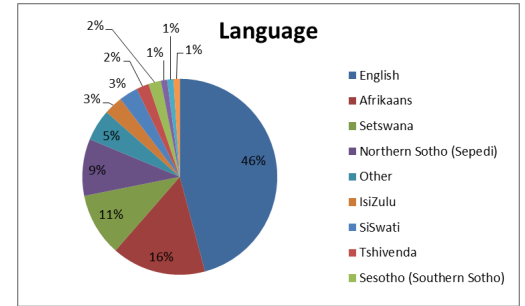
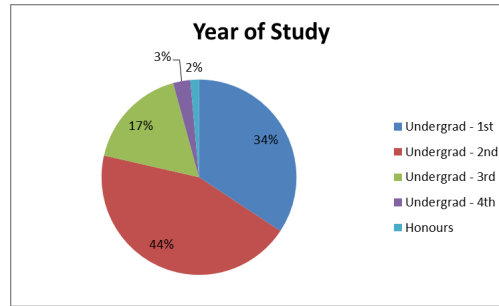
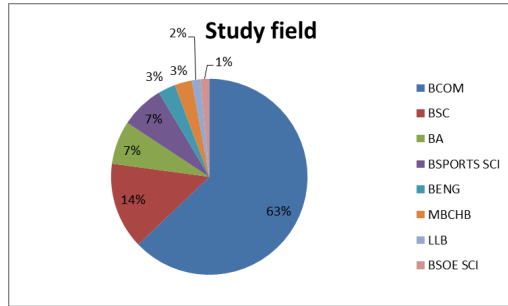
Done by Maxine Bolt

Student at the University of Pretoria

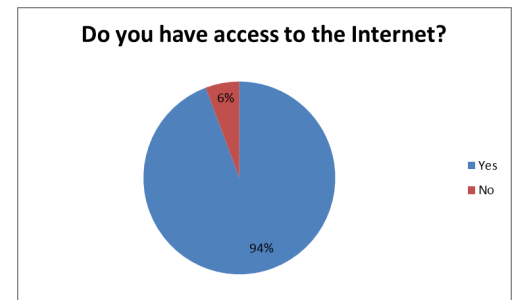
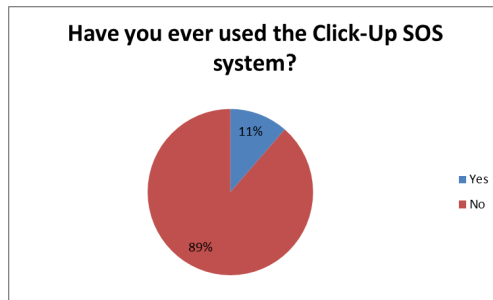
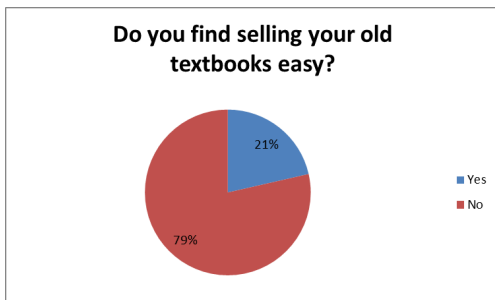
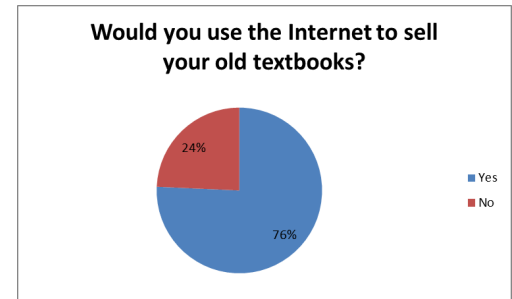
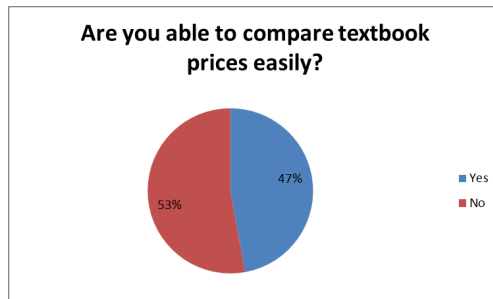
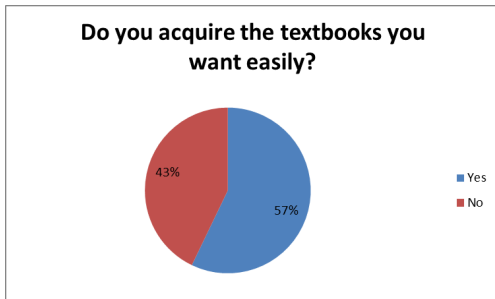
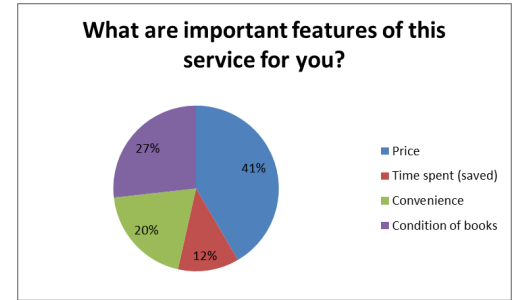
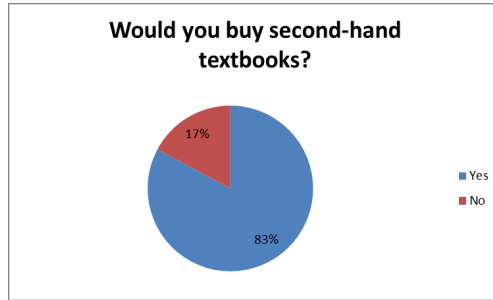
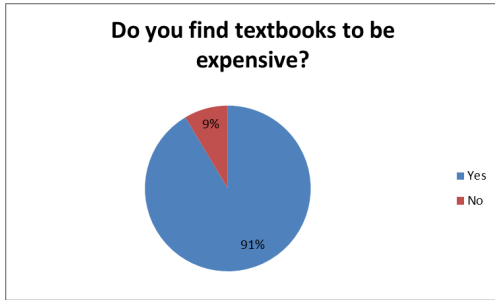
Studying Bcom Entrepreneurship, second year

Email: maxinebolt@gmail.com

Questionnaire Results – Part A (Demographics)



Questionnaire Results – Part B (Market Information)



Appendix 3: Proposed Marketing Schedule – Year 1

						Jan-10	February	March	April	May	June	July	August	September	October
						w/c Monday	w/c Monday	w/c Monday	w/c Monday	w/c Monday	w/c Monday	w/c Monday	w/c Monday		w/c Mon
						4 11 18 25	1 8 15 22	1 8 15 22 29	5 12 19 26	2 10 17 24 31	7 14 21 28	6 13 20 27	3 10 17 24	31 7 14 21 28	5 12 19
	Description	Quantity	Rate Card /Est	Cost ex VAT	Total Cost +14% VAT										
hire etc	design and implementation of site	1	R 7 500	R 7 500	R 8 550										
	am and pm 6 days at launch, then am at semester start	21	R 13 068	R 13 068	R 14 898		4 11 18 25		5 12 19 26		7 14 21 28		3 10 17 24	31	5 12 19
	hand outs at 1st year registration, high traffic areas, noticeboards	5 000	R 2 000	R 2 000	R 2 280		1 8 15 22		5 12 19 26		7 14 21 28		3 10 17 24	31	5 12 19
	paid online banner advertising (x banners)	0	R 5 000	R 0	R 0		1 8 15 22		5 12 19 26		7 14 21 28		3 10 17 24	31	5 12 19
	free ad placement on Facebook	0	R 0	R 0	R 0		1 8 15 22		5 12 19 26		7 14 21 28		3 10 17 24	31	5 12 19
	free registration with search engines	0	R 0	R 0	R 0		1 8 15 22		5 12 19 26		7 14 21 28		3 10 17 24	31	5 12 19
se	Lucky draw' prize to drive registrations	1	R 2 500	R 2 500	R 2 850		1 8 15 22		5 12 19 26		7 14 21 28		3 10 17 24	31	5 12 19
	Free banner swaps with affiliates	0	R 0	R 0	R 0		1 8 15 22		5 12 19 26		7 14 21 28		3 10 17 24	31	5 12 19
	Email ads to registered base	2 000	R 1	R 2 000	R 2 280		1 8 15 22		5 12 19 26		7 14 21 28		3 10 17 24	31	5 12 19
TOTAL MARKETING EXPENDITURE				R 27 068	R 30 858										