

# Love books: sustained success amidst uncertainties

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## Case summary

**Subject area:** The sub field of academia that the case is designed to teach is small business development, entrepreneurship or women in business.

**Study level/applicability:** This case is appropriate for graduate and post-graduate, MBA and executive education students focusing on entrepreneurship, small business development or women in business.

**Case overview:** This real-life case is based on interviews that took place with Kate Rogan, the co-founder of Love Books, and other stakeholders associated with the small bookselling business that is based in the suburb of Melville in Johannesburg. It describes how Rogan's past influenced how she saw and was open to the opportunity; and how, through passion, commitment, dedication and stakeholder management, she created a business that brought meaning to her and others' lives. Rogan's vast experience in editing, publishing and radio influenced how she evaluated the bookstore opportunity. For the past 11 years, she focused on building a loyal customer base through knowing her customers, staying on top of current industry and market trends and constantly thinking about how she could add value through minimal financial outlay. COVID-19 further complicated her thinking about how to traditionally market and sell books to her client base. As the case concludes, Rogan wonders how to build upon the foundations of her successful bookshop and grow profitability while remaining true to her and the business's values.

**Expected learning outcomes:** The case allows students to consider the key enablers for assessing entrepreneurial opportunities and drivers of small business growth. Following discussion and analysis of the case, students should be able to: explore how cognitive dynamics affect an entrepreneur's evaluation of opportunities; analyze the case against the 4Cs (continuity, community, connection and command) of competitive business advantage; evaluate building blocks for sustainable business profitability; and assess and recommend different learnings for entrepreneurs and small business owners.

**Keywords:** Entrepreneurship; Customer loyalty; Marketing; Retailing; Small businesses; Selling

## Introduction

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In June 2020, Kate Rogan made herself comfortable in her tiny office tucked to the side of her independent bookshop in Melville, Johannesburg. She reflected on what she had learnt during her 11-year journey as the owner of Love Books. She knew so little when she first opened the shop. She had had to learn about budgeting and how to read financial statements; and she would sometimes need to ask for credit from her suppliers. It felt heartwarming to think back to how people accommodated her and it reinforced how important it was to have good relationships with the people she worked with. While Love Books was now able to cover its operating costs, Rogan's desire was for it to be more profitable. She did not want to expand the business, but there were always small changes needed and she was frequently striving for the store to be better. In an industry where the digital threat was ever present, Rogan worried about the financial sustainability of Love Books. This had been amplified by the impact of the global coronavirus pandemic. In a very short space of time, Rogan had responded by implementing a few changes. But she was not sure whether these would be sufficient and wondered what other options she could consider to improve the profitability of her small business.

### **South African bookstores: more than just books**

In 2018–2019 the South African publishing industry produced revenue amounting to R 3.5bn. This fell into three main publishing sectors, namely, education, academic and trade. Unlike other countries where trade or general retail publishing accounted for around 50% of income, educational publications accounted for 60% of revenue in South Africa. This revenue was despite the challenge of limited infrastructure to support reading: it was estimated that 64% of schools did not have libraries. Lack of access to books limited the overall adult retail publishing market. According to the South African Book Development Council, 73% of South African residents over the age of 16 were not interested in recreational reading.

Despite the limited interest in recreational reading and the globally growing trend of e-books, bookstores in South Africa were still in business. Besides several chain stores that focussed solely on the sales of academic books, there were many other chains and independent bookshops that continued to thrive. One of South Africa's largest bookselling chains was Exclusive Books. Founded in 1951 [1] it had 50 stores scattered around South Africa and one located in Botswana.

In terms of the total net and gross turnover by sales of general trade products within the country, national bookseller chains represented 70.4% turnover, whereas independent booksellers 9.2% (Le Rous *et al.*, 2011). Given this small percentage turnover, independent bookstores were generally much smaller in size and stocked fewer volumes of books. Terry Morris, managing director of Pan Macmillan South Africa publishers, believed that independent stores were vital to any book trade. With the growing abundance of books published, these stores often brought the quieter, smaller, local books to life by hand picking and hand selling these to customers whose reading habits they had come to know. In addition, they served as trusted hubs of engagement, discussion and debate with regular events. They tirelessly cultivated a love of books across the communities they served, all on a shoe-string budget (Morris, 2020). In addition, independent stores were critical for local writers, in particular, to promote their work to readers (de Villiers, 2019), often becoming the literary heartbeat of a specific area [2].

Coupled with the alluring charm of finding a cozy corner in a bookstore and tucking oneself up with a potential book purchase, bookstores started to include coffee shops, which made

them ideal meeting places with their combination of both literature and entertainment [3]. Exclusive Books recognised this opportunity and, in 1999, partnered with Seattle Coffee Company [4] which introduced cafes into 18 of their stores. However, bookshops faced the ever-increasing threat from the digital space: more and more sales were taking place online, and the rise of Amazon's Kindle, as well as e-books being compatible with all tablets, impacted sales volumes of paper books bought directly from stores. Bookstores were feeling a greater need to branch out on product offerings and include complementary products with higher markups. Items, such as stationery, notebooks, reading lights, electronic dictionary bookmarks, wrapping paper and toys to supplement the content in children's stories were taking up more and more space in the highly visible areas inside stores. However, the five prior years had been a boon for the local publishing industry due to so many good books having been published (Pampalone, 2012).

### **A love of books from a tender age**

Rogan grew up in Johannesburg with a mother who encouraged books and a love of reading. With an innate love for books, Rogan would sometimes retreat for hours to her bedroom to read. She shared that "the two books I always pin the beginning of my love of reading are Ring of Bright Water and The Incredible Journey. I remember closing my door and not coming out until I had finished The Incredible Journey, and I finished it in a day [5]".

Rogan's tertiary studies included a bachelor's degree majoring in English and Psychology. After her studies, she worked as a copywriter, followed by time at an advertising agency. In 1994 she became a publishing assistant at Southern Books where she was the interface between the authors and the rest of the publishing process, namely, production, editorial proofreading and project conclusion. She eventually moved into a commissioning editor role where her direct involvement with the authors was a particular highlight. In 1997 Rogan moved to Zebra Press and Rogan's breadth of experience grew. In 1999, she took up the role as an editor for a brief period with Struik Publishing after the company was bought by the international New Holland Publishers. A year later it felt that the time was right to move on to something different. This turned out to be a position at the local radio station 702 where she was the producer for a weekly show which reviewed local and international books. She described her move to 702 as "like turning left and not straight, but I needed that"<sup>5</sup>. The book show opened her horizons, widened her knowledge of what there was to read and gave her so much more insight into contemporary authors.

By 2009, Rogan had scaled back her time at 702 as her two children started elementary school. The opportunity to open a bookshop came via a friend. She consulted Morris about the idea and was warned that it was probably going to be very tough. Before Love Books, she had never sold anything in her life and did not believe that she had sales blood in her. She explained "I did not think too hard about the idea of selling – just a lovely idea of a lovely store with lovely shelves. Many people have a dream of working in a bookshop; a cozy view of bookselling". Rogan had always enjoyed travelling and she had many memories of whiling away the hours in bookshops overseas.

I always loved Hatchards the most. It is London's oldest bookshop and it epitomises everything an independent bookshop should be – cozy, with a wonderful and unexpected range of titles. I also loved Foyles – floors and floors of everything you could ever want ... I had no idea I would end up owning a bookshop one day, but I think that cozy shabby chic feel of Hatchards might have crept under my skin<sup>5</sup>.

## **Love books is created**

And so Love Books was borne. Rogan and her friend established an equal partnership and initially contributed the same start-up capital which was self-funded. The location for the store was purposefully chosen. The Bamboo Lifestyle Center, on the outskirts of the trendy suburb of Melville, provided an authentic and varied shopping experience. Each store was independent and owner-run and varied from food to décor, books to toys, art to wellness, fashion and collectables (Bamboo Lifestyle Centre, 2020). The selection of the bookshop's name went through a few iterations. "Bamboo Books" was an option but it felt like it then rooted the store in a place. With the internet such a force to be reckoned with for so many retailers, the business partners thought it unwise to be associated with one location. A few other ideas followed; it was a tough process.

Rogan thought of Love Books but visualised the logo as a heart because she wanted it to be funkier than the image of the book industry at the time. She believed there to be a certain stuffiness in some of the bookstores and while Love Books would sell quality literature, she did not want the place to feel snobbish, uninviting and unfriendly. But grappling with the concept of a heart in the whole design process just did not feel right. On hearing Rogan's need to create a fresh and inviting space, the designers played with different ideas until the present quirky logo was finally created (Exhibit 1). This quirkiness extended into the eventual look and feel of the shop itself. The intention was to provide an inviting, imaginative and comfortable space in which customers could relish their time browsing for a new read. This was managed by laying out several cozy nooks created out of different wooden antique armchairs and occasional tables, including a large central wooden display table to showcase the current recommended-by-Rogan bestsellers. An enormous wooden branch chandelier, decorated with ribbons, funky mobiles and creative signboards indicating the different categories of books, added to the charming experience.

Rogan's partner had prior experience of opening a business so she was responsible for setting up the bank account and the customer payment systems and helping to get the payments side of the business running. Rogan was involved with the setup of the somewhat limited but very stable computer-based inventory control and point-of-sale system for retailers, particularly bookstores. Due to having to balance various external challenges, Rogan's partner soon became a silent partner, with nothing further to do with the business. This meant Rogan was alone in having to learn the functionality of the various systems required to operate the business. Her biggest job when it came to setting up the business was selecting the stock. This was her first introduction to book buying and she found it an enormous task. However, she shared that people in the broader industry were immensely helpful and, owing to her years of experience in the publishing, distribution and media sectors, she had access to many valuable resources who were always willing to offer support and assistance. The process of buying books also created the best way to get to know all the people in the selling side of the book industry and they were very helpful with suggestions on titles and quantities.

## **It takes people to build a business**

Rogan realised early on that she could not run the business alone so invited a friend in need of work, Anna Joubert, to help out once or twice a week and on weekends. A year later, Joubert became a full-time employee, and subsequently, took up the role of manager. Rogan explained that Joubert had a wonderful personality and the customers loved her. She was the embodiment of everything that Love Books was – quirky, real, honest and high quality (de

Waal, 2019). She had an extraordinary ability to match the right book with the right person; her talent was selling. Rogan called it “almost a 6<sup>th</sup> sense”. As a result of having Joubert on board, Rogan could run the shop in a very flexible manner and could, when necessary, do school runs or work from home and leave Joubert to open and close the shop. Rogan shared that “we have an incredible relationship – we get on so well although we are very different. We really understand each other. It is amazing to work with her”. Joubert explained that she and Rogan had been working together for so long that it felt like being in a successful marriage [6].

There were also university students who helped out over weekends. They were mostly first year English students or graduates. While these students had generally remained committed for some time, Rogan admitted that it was hard to find staff who were as invested when employed in casual positions.

### **Business model for bookstores**

Publishers offered a discount system to retailers when purchasing stock. The publishers would set a recommended price for a book and then the retailer would generally receive a standardised discount of 40%. However, the discount was dependent on the size of the order so the bigger retailers would benefit from a greater discount due to larger order volumes. Rogan’s prior experience in the industry provided an enormous advantage because, even when she was starting the business and had not yet sold any books, she could negotiate a good discount from the onset. With some of the smaller publishers, she negotiated smaller discounts (in the range of 33% to 35%) because they were strictly volume-based.

Books were not bought on a consignment basis but were paid for upfront. There were three different means of doing so. Paperback books were always full sale or return (SOR), with the return grace period being limited to one year after purchase. On returning stock, a credit was processed against the retailer’s account. An alternative method was to buy half and half, which normally applied for trade paperbacks (similar to a hard back format but with a soft cover). This style of the book was common in South Africa because hard backs were not good sellers due to their higher cost. Finally, a firm sell on a non-return basis was the method applied to hard backs, expensive books or books for which the publishers did not want to take a risk.

Of those three categories, Rogan hardly ever bought hard backs and, in fact, consciously tried to avoid them, only sometimes buying them in small quantities for a beautiful interiors or coffee table book. Most of her buying was in the half and half space, some of which would be on a full SOR basis because these were the most recently published books. She would place orders every day, ranging in size from 3 to 50 books at a time. The various sales representatives would frequently visit the shop and advise on which titles would be released in the next three months. This process, referred to as sub sales, allowed the publishers to build their orders in advance so that they had a better idea of how much stock to bring into their warehouses.

### **A knack for knowing the market**

Love Books marketed itself as being a place where books were their passion. Rogan and Joubert offered a tightly curated, well-edited range of classy books that they believed made book buying an exciting and inspiring experience (Bamboo Lifestyle Centre, 2017). Much of

the time Rogan would simply order an author that she loved or a genre that she knew would sell. However, she acknowledged that she did take chances as she was not able to read every author herself. When considering how she knew what to select for her particular market, Rogan realised that she had found an undiscovered talent in being able to choose books. She had a particular taste and had learned to understand what her market wanted and then how to respond to their preferences. So much so, in fact, that if she sourced a hard back which she knew a particular customer would love, she would take a chance on it. “If it is something really quirky or that has Love Books written all over it, and because I know so many of our customers, I can say to my customers “this has your name written all over it” which is a very different way to operating than to a chain”. But Rogan kept a constant eye out for new ideas and new authors. Besides knowing which authors, she personally liked, she stayed up to date by frequently browsing *The Guardian* and *The New York Times* review pages, as well as local reviews and Amazon. She recognised that Amazon was becoming more and more commercial and while it was valuable to know what authors it was selling, it was also important to know that these did not always translate for her market.

Joubert was commonly known as a book savant. She too had a knack for knowing what their customers wanted. She explained that she would get a feel for a book and get a sense of the person as follows: who they were, what they liked, the world they inhabited. She shared that while there were too many wondrous things to read and she had too little time to read them all, she remained forever curious about books and people. If customers were not able to come into the shop, she would email them individually with recommendations of books she thought would appeal to them [7].

### **Creating awareness and being visible**

While Love Books priced their books similarly to Exclusive Books, they did not receive much passing foot traffic so had to be creative about enticing more customers to their store. Book launches formed a major part of bringing people into the shop. These would be held at least once a week, but sometimes every second night. This model worked very well for a small business by creating more awareness of the shop. There were costs involved due to the widespread assumption that free wine and snacks should be provided at all book launches. Rogan would split the launch costs 50/50 with the publishers and she explained that it was a win or lose the gamble. The free and delicious canapés attracted people for the social connection. Sometimes many books would be sold, at other times, not. As Rogan explained, “I do not worry too much about the winning and the losing, I think I win more than I lose, and even if you have bad sales you have inevitably brought someone into the shop who has not been there before and who think ‘I have to come back’”. The store had a loyalty programme which offered a 10% discount for 10 sales over the value of R 300 [8]. Rogan called it a quaint system in that a branded card was manually punched each time the target was met. Attendance at launches also qualified for a punch of the card.

Rogan shared that the book launches were at times exhausting; she constantly felt rushed and pressurised. She would need to make a short introductory speech, feeling the pressure to say something clever and insightful, indicating some knowledge of the book so as to satisfy the publishers, authors and audience and, of course, to encourage the sale of the book. It would end up being an exceptionally long working day. But this was Rogan’s reality; “that is the thing about being a small business owner – you cannot hand it over to someone else”. Additional stress resulted when the number of acceptances for a launch was fewer than 15. Rogan believed this was the minimum number of people needed at a launch to make it a

success. She recognised that, in South Africa, one launch per city was enough as otherwise, the numbers of attendees became diluted. If she did receive fewer than 15 responses, she would recommend to the publisher that the launch be cancelled. On a handful of occasions, the number of guests at a launch exceeded 250 people.

Another approach which was used in the early days of the business to attract more customers to the shop was the Saturday morning reading sessions for children. However, it reached a point at which there were limited attendees and she was paying a storyteller to read but was not selling any books. Rogan thought fondly back to this period, appreciating that it was a nice thing to do and that there was something about it that everyone still remembered.

In addition, the annual June 8 birthday sale was beneficial in that it provided an opportunity to discount books by 70% which while incurring a loss, encouraged sales of books which had not yet sold and for which Rogan had missed the return cut-off date. Rogan would put these types of books aside during the year and would always feel astonished when producing them for the sale as they were lovely books which surprisingly had not sold earlier in the year but which flew out during the sale and brought money through the business. Rogan believed that the Love Books sale had a good reputation as they ensured they put good books on sale and did not bring in cheap books from outside at this time. There were always books left over from the sale that Rogan would need to write off and move out of the shop. In these instances, she would donate them to the local Hospice [9] or needy libraries. The value of the books was quite high: her donation to Hospice in early 2020 equated to R 35,000.

She became more and more aware over time that a powerful tool for creating awareness was social media. Rogan made sure that Love Books actively and frequently posted engaging content via Twitter, Facebook and the website. These posts would cover any activity from book launches, new book arrivals in store, news about upcoming events, book award winners to current books favoured by Rogan. While Rogan did not have a particular strategy for social media posts, and it happened rather randomly, she was constant when posting details about the book launches – photographs of the authors and the audience, details about the book and snippets about the atmosphere on the evening. Facebook and Twitter were linked to Rogan's Instagram page so she would usually post on Instagram and content would then be shared across all three platforms. By 2020 Love Books had 12,000 followers on Facebook; 4,900 on Twitter; 2,400 on Instagram. She would also send out a monthly newsletter via email which was very well received by her customers.

Rogan herself would update the monthly content and event listings on the website but any major changes to the website structure would be done by the web designers. Due to the COVID-19 global pandemic, a hard lockdown was legislated in South Africa at end of March 2020 in which the majority of businesses were unable to operate. During this time, while the store was not trading, Rogan took the opportunity to work with the web designers and completed a refreshing update to the website structure.

### **A small business ecosystem**

Each of the five tenants within the small Bamboo Lifestyle Center was different, which resulted in a creative and diverse outing for customers. While it was not possible for Love Books to hold book launches downstairs at the same time as the art gallery hosted exhibition openings upstairs due to the noise levels, a sense of support and partnership between all the stores prevailed. The neighbouring deli and café, Service Station, had been trading

successfully in the centre for 10 years when Love Books opened. They were a well-recognised restaurant with a loyal community. This worked well for Love Books in the beginning as it brought more business their way. With an interleading double door between the two shops, people would often wander through from one location to the other, grabbing a coffee then browsing books or buying a book and then enjoying a sit-down meal. In addition, Service Station started doing the catering for all the book launches and, if the launches were larger than 60 guests, Service Station remained open in the evening and the launch venue was expanded into their premises or held solely in their premises. By 2020, Love Books was an anchor tenant in the centre and the launches were contributing meaningfully to Service Station's turnover. Rogan agreed that the collaborative partnership worked well for both parties.

To supplement book sales, Love Books also offered a small selection of cards, journals and magazines for sale. As much as Rogan believed it important to stick to their core product, she realised that a popular combination was books and wine. She thus acquired an off-site liquor license, authorising the shop to sell bottles of wine. She then partnered with her extended family's wine farm located in the Cape province and started selling a small selection of Joostenburg wines. She shared the license costs with the wine farm, who were happy to do so because the wine sales performed really well through Love Books, particularly with the launches. Rogan reasoned that wine was a bit like books, "Think of a shelf of books with spine after spine after spine, and every spine is a special book with a special author. The same applies with wine, label after label after label, and the something special that is behind each label". The wine bottles on display in the shop stood out and customers associated the wines with the book launches. Another successful partnership.

### **A love for books yields lessons**

Rogan believed that people turned to books for insights into their own or others' human behaviour; ways of understanding things of humanity in fiction and non-fiction. This was in addition to simply enjoying the beauty of a well-written sentence or a beautifully crafted story. For much of the time, books also provided entertainment, especially if a fast-paced page turner. Rogan believed that reading was a fundamentally important activity for human beings, but that a love for reading needed to be grown and nurtured from an early age. In her experience, reading improved vocabulary, understanding and insight; it was educational, it widened and deepened one's world view and studies demonstrated how it developed empathy in children.

Books created a way of escaping. Rogan herself experienced this, drawing on the stress-inducing time of the global coronavirus pandemic to illustrate her point, "if I lost an hour reading endless things on my phone, I would feel anxious because there was such awful news, everywhere. It is a totally different thing if you get lost in a book for an hour – you feel enriched, satisfied".

Rogan's love of books had enabled her to hold different perspectives, to be more aware of cultural nuances, to notice the little things, to celebrate people and the planet; these lessons were valuable in generating further ideas for her shop and for better tuning into her customers preferences. Her voracious reading also provided further awareness of the quality and variety of local writing.



There was much collaboration in the industry and people were mostly in it for the love of books. Rogan explained that no one was in it for the money because one did not earn very much, but it was filled with people who had books in their blood. When Rogan was invited to be a judge for the *Sunday Times* Literary Awards in 2017 and 2018, she was gob smacked, not having recognised her own contribution to the literary world. It was a wonderful experience for her in that it required a focus on local fiction and to read with such purpose. While Rogan admitted that it was somewhat onerous and a huge responsibility, it was a great privilege and something of which she felt very proud.

Joubert's enjoyment at working for Love Books extended beyond just a love for books. She loved making a difference every day to someone else's life. She loved that she was able to interact with a vast selection of people, sharing their ups and their downs. She thrived on people coming into their "wondrous world of books".

### **Considering competition, profit and expansion**

When Love Books opened in 2009, Kindle was not yet widely available in South Africa and Amazon had been trading for five years but had not yet gained popularity. For a long time, experts in the book industry were not sure how online reading was going to evolve. Many people predicted hard copy books would see their end or that the industry would follow suit with the music, newspaper and print media industries. But Rogan was a witness that this did not happen. Books survived despite electronic downloads including Kindle and Amazon. Rogan believed that they would continue to survive.

There is something very tactile about a book; about the way you read a book – it is different from reading on a device. When you start reading with your children when they are young, books are such a physical thing. The book itself, the whole interaction with the child on your lap reading, it is intimate, physical. Books are associated with emotions. And people will buy a book that they love or an author that they like, and they will download the trash on a Kindle.

There were several other bookshops in the broader Johannesburg area, but Rogan did not view them as competition as she believed there were so many things that set Love Books apart. While her pricing was similar to Exclusive Books and both stores shared many customers, each store had such different ways of selling. In independent bookshops, there was a concept called handselling which was what Joubert would do or Rogan if she were on the shop floor. Customers would come in and share what other books they loved and request a recommendation for something similar. This was less likely to happen in a larger book chain, for instance, Bargain Books, which was far more like a supermarket model. But Rogan kept an eye on what other stores were doing, simply so that she could anticipate trends and potential requests. If a book was being heavily marketed in the media it was valuable for her to be aware of this and she did follow Exclusive Books' notices on their book of the month. What Rogan did observe, from following the larger competition online and knowing the industry so well was that, due to their bigger size, they would have one person allocated solely with the responsibility of social media. However, Rogan and Joubert had divided most of the operational responsibilities between the two of them – Rogan focussing on social media, ordering and buying, Joubert doing the selling, and both of them hosting launches and doing endless general administration.

Rogan had to ensure she ran a tight budget at all times. She acknowledged that it was hard to generate money in a bookshop and, if there were surplus funds, she put these back into the business. As she explained, “this business has become my baby”. She felt grateful that she did not need to draw a monthly salary for herself but she did have Joubert and her two casual staff members on her payroll. She used the services of a bookkeeper who prepared monthly and year-end management accounts, so she was aware of how profitable the business was (or, at times, was not) each month (Exhibit 2). In addition, she would prepare weekly and monthly reports of book sales, as her replenishment orders were based on this sales data.

While Rogan admitted that she felt she was not a business woman, her greatest learning was that every cent counted. She did not use a mechanised system or process but would check the Love Books’ bank account every day. She shared that “it is very simple; money comes in and money goes out and I know what I have to do to make it work. It sounds very amateurish but it works for me”.

When considering expansion of the business, Rogan was certain that this was something that she did not want to do. Her reasoning behind this was that it was already hard work, she did not draw a salary, it was a very difficult industry, and she was already so hands on with one branch that it was difficult to imagine having to attend to two or three others. Furthermore, she felt that it would be risky to leave another branch entirely in someone else’s hands who may not have that same passion and love.

Mervyn Sloman, owner of the Book Lounge in Cape Town, reinforced the hard slog that was required to make a bookstore successful, saying “if anybody thinks they can find a space, fill it with books and wait for people to stream in they are not going to past two weeks. But if you are prepared to work bloody hard and be creative and innovative, then it is completely doable (Pampalone, 2012)”.

### **A sense of community, even in the dark hours**

Albeit Rogan felt such passion and love for her shop and about the book industry in general, there were a few concerns that kept her awake at night. Besides the status of the bank account, she worried about the long-term power of the large online sales platforms which could sell books cheaper than Rogan’s cost price. She believed they were undermining the industry, using it as a loss deal to encourage more people onto their websites. In 2009, when Rogan signed the Love Books lease, she was not aware of any iPads yet present in South Africa. At that time, the digital threat seemed so far off, so unimaginable (Pampalone, 2012). But now she sometimes wondered how long a small, intimate bookshop could survive with the online threat, particularly with even more difficult times ahead as a result of the global coronavirus pandemic.

Rogan experienced the first few weeks of pandemic lockdown as lonely but mostly quite terrifying. Five weeks of seeing a static bank account had been a scary experience. The shop did have an excellent sales-run up until hard lockdown – the customers came in and bought and bought and bought. In fact, those four days before shutting the shop at the end of March 2020 resulted in all of April’s costs being covered. Rogan shared, “I was pretty relaxed about April. I knew I was going to be able to pay my suppliers. Most importantly of everything, I would be able to pay my staff”. Furthermore, the landlord gave them a rental holiday which also lessened her worries. A full rent waiver was granted for three months, followed by a percentage-based waiver while lockdown was slowly relaxed (for example, July 2020 rental

was 50% of the usual rate). However, Rogan was not sure if general bookshops were going to be authorised to open when lockdown levels were slightly relaxed after a month and she knew that Love Books was not going to survive another month without any cash flow [10].

Feeling deeply concerned, Rogan launched a voucher appeal on her various social media platforms in which she invited customers to buy online vouchers in any amount which they could redeem at the store when bookshops were allowed to open again. The Love Books community rallied and the response was overwhelming (Exhibit 3). The voucher response made Rogan feel that maybe books would survive forever because people did still want them.

The response that I have had from our customers has just been incredible. They have really, really come to the party and have been incredibly generous. People have bought big amounts and people have bought little amounts. People apologise for the little amounts but what I tell them is that every single cent counts. Anyway, how do you think the lotto makes its money. Lots of people buy little amounts. It has been heart-warming and has filled me with feelings of responsibility and purposefulness, and gratefulness to everybody who is part of the Love Books community.

Community was the secret to the magic of Love Books. The shop prioritised building community around the appreciation of literature and reading [11] and Rogan deeply valued the importance of community in an independent bookstore, saying “you are never just a bookshop, you are always part of a community”. Loyal customer Sarah Buitendach believed that books by their very nature – the concepts of sharing books and story-telling – were so conducive to community. When needing an escape from the stressors of work, she would sometimes retreat to Love Books which she experienced as a therapeutic space. The comforting and warm environment, the design with high ceilings and tapestried chairs, the general human touch and that Rogan and Joubert were so invested in what they were doing, created an inviting space for anyone who felt overwhelmed [12].

Hayley Brugman, another regular customer, believed one of Love Books’ differentiators was that it had become a destination. Over the years she had particularly enjoyed the book launches which brought together different parts of the Parkview and wider community, in addition offering an opportunity to meet the authors in person in a comfortable and personalised setting. At times when she was visiting the Bamboo Lifestyle Centre for lunch, she could see the complementary personalities between Rogan and Joubert and how they interacted with their customers, trying to understand customer reading preferences to recommend further purchases. Brugman’s husband was a keen reader of the Boer war [13] and she appreciated how Love Books would help hunt down recommended readings specific to this topic [14].

Terry Kurgan, a writer whose book *Everyone is Present* won the 2019 Alan Paton Award [15], believed there were a variety of things that set Love Books apart from others. She believed that it was well-curated in terms of new and unusual titles: the new arrivals section was regularly refreshed with interesting and unusual literary fiction and non-fiction. Different to larger bookchains, Kurgan appreciated the smaller scale, layout and ambience of the store which she found very user-friendly and comforting, almost nurturing. It was these aspects which brought her back regularly for new and different purchases [16].

Lockdown forced the business to make a little pivot. One of the changes was to offer online book sales. Rogan’s plan was to start slowly. She realised she would not be able to put the

whole inventory up for online sale as she would be single-handedly managing it, so she decided to select roughly 10 titles per month in categories of new arrivals, prize winners, what she and Joubert were recommending and what books they were loving. She recognised that it was important to maintain the intimate, bespoke Love Books feeling so that customers would not feel like they were just clicking and buying. In addition, online vouchers were available for purchase and books could be ordered via email. As soon as lockdown legislation was slightly eased after five weeks and some travel was allowed, a delivery service was introduced. Delivery was provided at no charge within an approximate 3.5 mile radius from the store. For distances greater than this, a courier company charged a nominal fee or the customer would opt to collect from the store.

Lockdown also created the opportunity for publishers to organise virtual launches and they partnered with Love Books to be part of these. While Rogan had not yet designed a strategy or built up momentum, she would work with the publisher as a way of keeping the shop's presence alive. Rogan recalled that about 30 people had attended the last virtual launch hosted by Love Books; and that this was probably a similar number of guests had it been a physical launch at the store.

### **Passion needs profit for sustainability**

As Rogan finished her coffee and felt herself slowly thawing, she also felt warmed by the beautiful memories she had made at Love Books over the past 11 years.

My toddlers have become teenagers, we have watched romance blossom and die in the shop, we have seen affairs come and go, we have seen people get married, we have seen babies being born, we have shared in hardship too – people have got divorced, people have died. It has been a privilege to watch life going on around us while we have been selling books that hopefully heal with their words (de Waal, 2019).

Rogan loved Love Books. She loved that she had discovered a new talent within herself: that she had an intuitive sense for knowing what books to buy, when to go big on a book and when to hang back when to take a chance on one or two. She celebrated the growth of her customer base. While she was not able to put a number to this, she could see it visibly in the growth of attendance at the launches, in the number of followers on social media and in the number of books that she was willing to take a risk on. She celebrated the ever-loyal sense of community that sustained the business. She deeply appreciated her resident book sage, Joubert, and she loved that her own innate love for books was shared by such a large community. How privileged she felt to have made a career out of her passion.

Yet, even though she believed that “the dust had settled on the whole e-book threat” and that e-books and paper books could happily co-exist in the market (and here she referred to what she called the tired comparison of the oven and microwave that existed happily together in the kitchen), this was an industry potentially at risk. Even more so as a result of the increased general acceptance of a virtual way of operating in response to the coronavirus pandemic. Rogan believed that the online voucher system provided a whole new income stream for Love Books and that, with the right management and focus, it would definitely add to the profits of the business. She also hoped to increase activity of their social events and find ways of offering people the intimacy of a launch, but online. This had proved challenging from a time and manpower perspective but she had a few ideas; one being to possibly employ a

dedicated digital consultant that would hopefully pay off in the long-term. While virtual launches had not worked for Love Books due to not generating any sales, Rogan believed they had promise as they opened doors to hosting international authors, such as the popular Stephen Fry and Ian McEwan, which would hopefully impact on the sales of their titles.

But would this be enough? While Rogan did not want to grow the business, she wondered what other changes she could consider making to ensure Love Books remained fresh, exciting and enticing to its growing customer base. Furthermore, what additional ideas she could explore to grow the profitability of the business?

## Notes

1. The Story of Exclusive Books, Exclusive Books, viewed 25 June 2020, <[www.exclusivebooks.co.za/page/about](http://www.exclusivebooks.co.za/page/about)>.
2. "Independent bookstores to support in (almost) every corner of South Africa," 2008, *PEN South Africa*, 21 May, viewed 25 June 2020, <<https://pensouthafrica.co.za/independent-bookstores-to-support-in-almost-every-corner-of-south-africa/>>.
3. "The most loved bookstores in South Africa," 2019, *Fin Global*, 2 September, viewed 25 June 2020, <[www.finglobal.com/2019/09/02/bookstores-in-south-africa/](http://www.finglobal.com/2019/09/02/bookstores-in-south-africa/)>.
4. Seattle Coffee Company was founded in 1993 in London and opened its first store in South Africa in 1998. Four months after this, the UK operation was bought by Starbucks and South Africa became the Seattle Coffee Company brand's sole market, Allegra World Coffee, 2019, 16 October, viewed 3 July 2020, <[www.worldcoffeeportal.com/Latest/InsightAnalysis/2019/Interview-Seattle-Coffee-Co-s-Pete-Howie](http://www.worldcoffeeportal.com/Latest/InsightAnalysis/2019/Interview-Seattle-Coffee-Co-s-Pete-Howie)>.
5. K Rogan interview by Verity Hawarden and Amy Moore, 28 May 2020.
6. A Joubert interview by Verity Hawarden, 6 July 2020.
7. A Joubert interview by Verity Hawarden, 6 July 2020.
8. US\$1 = R 16.99 (South African rand) on 6 July 2020; all currency amounts are given in R unless otherwise specified.
9. A facility or programme designed to provide palliative care and emotional support to the terminally ill in a home or homelike setting so that quality of life is maintained and family members may be active participants in care. Viewed 6 July 2020, <[www.google.com/search?client=firefox-b-d&q=definition+of+hospice](http://www.google.com/search?client=firefox-b-d&q=definition+of+hospice)>.
10. "Interview with the owner of Love Books-Kate Rogan" 2020, Kaya FM: Saturdays with Jenny, 16 May, viewed 4 June 2020, <[www.kayafm.co.za/shows/saturdays-with-jenny/amp/](http://www.kayafm.co.za/shows/saturdays-with-jenny/amp/)>.
11. "Independent bookstores to support in (almost) every corner of South Africa," 2008, *PEN South Africa*, 21 May, viewed 25 June 2020, <<https://pensouthafrica.co.za/independent-bookstores-to-support-in-almost-every-corner-of-south-africa/>>.
12. S Buitendach interview with Verity Hawarden, 6 July 2020.
13. The Boer war was fought from October 1899 – May 1902 between Great Britain and the two independent Boer states, the South African Republic and the Orange Free State, over the Empire's influence in South Africa.
14. H Brugman interview with Amy Moore, 4 August 2021.
15. The Alan Paton Award is an annual South African literary award for non-fiction sponsored by the Sunday Times.
16. Kerry Kurgan, email exchange with Amy Moore on 4 August 2021.

17. The months March to May have been used for comparative purposes due to the case being set during the initial COVID-19 lockdown. At the time of publishing, the Rand/Dollar exchange rate was 0.068.

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**Exhibit 1. Love Books logo and footer**

**Figure E1**



**Source:** Kate Rogan, Love Books, 29 June 2020

**Exhibit 2. Summarised income statements for the period March to MAY [17] 2016–2020 (All figures in South African rands)**

**Table E1**

	<b>MARCH TO MAY 2016</b>				<b>MARCH TO MAY 2017</b>		
<b>GROSS INCOME</b>	<b>March-2016</b>	<b>April-2016</b>	<b>May-2016</b>	<b>Gross income</b>	<b>March-2017</b>	<b>April-2017</b>	<b>May-2017</b>
<b>SALES</b>	162,468	199,420	215,773	Sales	246,936	202,013	259,194
<b>INTEREST RECEIVED</b>	17	21	41	Interest received	40	52	40
<b>DONATIONS</b>				Donations			
<b>TOTAL INCOME</b>	162,485	199,441	215,814	Total income	246,976	202,065	259,234
<b>EXPENSES</b>				Expenses			
<b>COST OF SALES</b>	112,047	137,531	148,808	Cost of sales	170,301	139,319	178,754
<b>OTHER EXPENSES</b>	58,430	64,311	76,812	Other expenses	76,461	70,573	73,145
<b>TOTAL EXPENSES</b>	170,477	201,842	225,620	Total expenses	246,762	209,892	251,899
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	-7,992	-2,401	-9,806	Profit/(Loss) for the period	214	-7,827	7,335
<b>ACCUMULATED PROFIT/ (LOSS) FOR THE YEAR TO DATE</b>			-20,199	Accumulated Profit/ (Loss) for the year to date			-278
	March to May 2018				March to May 2019		
<b>GROSS INCOME</b>	<b>March-2018</b>	<b>April-2018</b>	<b>May-2018</b>	<b>Gross income</b>	<b>March-2019</b>	<b>April-2019</b>	<b>May-2019</b>
<b>SALES</b>	223,889	229,492	253,549	Sales	260,088	231,681	244,218
<b>INTEREST RECEIVED</b>	8	16	11	Interest received		22	11
<b>DONATIONS</b>				Donations			
<b>TOTAL INCOME</b>	223,897	229,508	253,560	Total income	260,088	231,703	244,229
<b>EXPENSES</b>				Expenses			
<b>COST OF SALES</b>	154,406	158,270	174,862	Cost of sales	179,371	159,778	168,426
<b>OTHER EXPENSES</b>	82,677	73,591	81,821	Other expenses	80,200	94,746	81,410
<b>TOTAL EXPENSES</b>	237,083	231,861	256,683	Total expenses	259,571	254,524	249,836
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	-13,186	-2,353	-3,123	Profit/(Loss) for the period	517	-22,821	-5,607
<b>ACCUMULATED PROFIT/ (LOSS) FOR THE YEAR TO DATE</b>			-18,662	Accumulated Profit/ (Loss) for the year to date			-27,911
	March to May 2020						
<b>GROSS INCOME</b>	<b>March-2020</b>	<b>April-2020</b>	<b>May-2020</b>	Notes: April 2020			
<b>SALES</b>	302,486	40,178	247,238	- Due to COVID-19 Lockdown, the business did not trade from 27 March to 3 May 2020			
<b>INTEREST RECEIVED</b>				- Sales were from online voucher sales during lockdown			



<b>DONATIONS</b>		46,555	300	- There were no unit book sales during lockdown
<b>TOTAL INCOME</b>	302,486	86,733	247,538	- Donations were from customers who wanted to support Love Books
<b>EXPENSES</b>				Exchange Rates
<b>COST OF SALES</b>	208,611	27,710	170,509	1 March 2016: US\$1.00 = ZAR 15.60
<b>OTHER EXPENSES</b>	78,505	40,792	42,591	1 March 2017: US\$1.00 = ZAR 13.01
<b>TOTAL EXPENSES</b>	287,116	68,502	213,100	1 March 2018: US\$1.00 = ZAR 11.85
				1 March 2019: US\$1.00 = ZAR 14.22
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	15,370	18,231	34,438	1 March 2020: US\$1.00 = ZAR 15.76
				Source: Retrieved from www.poundsterlinglive.com
<b>ACCUMULATED PROFIT/ (LOSS) FOR THE YEAR TO DATE</b>			68,039	

Source: Kate Rogan, Love Books, 6 July 2020. At the time of publishing, the Rand/Dollar exchange rate was 0.068

### Exhibit 3. Unit book sales from January to June 2020

Table E2

MONTH	UNIT SALES	DESCRIPTION
<b>JANUARY 2020</b>	886	Historically a quiet month after the festive season
<b>FEBRUARY 2020</b>	1,025	Average to slightly below average unit sales
<b>MARCH 2020</b>	1,350	A run on sales just before lockdown
<b>APRIL 2020</b>	0	Level 5 lockdown in South Africa. No trading
<b>MAY 2020</b>	961	Lockdown online voucher sales (store not yet open)
<b>JUNE 2020</b>	1,945	Annual birthday sale

Source: Kate Rogan, Love Books, 6 July 2020

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Disclaimer. This case is written solely for educational purposes and is not intended to represent successful or unsuccessful managerial decision-making. The authors may have disguised names; financial and other recognisable information to protect confidentiality.

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