

Transfer of Ownership

Top Tips for Buying an Existing Bookshop

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Introduction

If you are thinking of buying an existing bookshop, congratulations!

There will be many things to consider when looking to transfer into ownership of a bookshop. We hope that this guide will point you in the right direction.

We strongly recommend that you also read our ebook *How to Start and Run a Bookshop*. It is 338 pages long and covers many important and vital areas such as finance, stock control, book trade systems and infrastructure, managing staff and branding. It is written primarily for those looking to set up a new bookshop, but also contains key information for those looking to buy an existing shop.

This guide does not replicate the information in our ebook *How to Start and Run a Bookshop*, but rather supports it, with some more specific advice for those looking to buy an existing bookshop.

If you have any further questions, do email pippa.halpin@booksellers.org.uk

Glossary

BatchLine – BatchLine is the Electronic Point of Sale system provided by Batch, who are the technological arm of the Booksellers Association Group.

Dead stock – stock that is over a year old from the invoice date, or that is over six months old with no sales history.

It is called 'dead' because a bookseller cannot return it to the publisher or wholesaler if it's over a year old, or if it has no sales history.

EPOS system – Electronic Point of Sale system.

Gardners/Gardlink – Gardners is one of the main UK wholesalers. Gardlink is their Electronic Point of Sale system.

Before you make a formal offer for the business...

Here are the top three issues we suggest you address, before making a formal offer for the business.

1. Lease

Establish the status of the lease of the bookshop premises with the landlord.

It is important for you to talk with the landlord directly.

You should ask:

- What the criteria are for reassigning the lease.
- Whether they require a rental deposit.

2. Stock

Establish the condition of the stock in the bookshop.

It is important for you to work out which stock you want to buy, and which stock you don't want to buy. You are not obliged to buy any of the stock.

For example, you could:

- Insist on buying an empty shop. This is not very usual, and might stop a sale going through.
- Buy most of the stock, except 'dead' or old stock. This is perhaps the most usual option.
- Buy all of the stock. This is not always recommended, as some stock may not sell easily.

To help you work out which stock you want to buy, we suggest that:

- You request an 'aged stock' report from the current bookshop owner.
The owner, if they use BatchLine or Gardlink, should easily be able to produce this report.
It should be very simple to spot both the 'dead' stock and the 'old' stock on the report, which clearly hasn't sold for a while, and therefore is likely to be stock that you may not want to pay for.
- You ask the current owner if they would be happy to return to the publisher any 'live' stock you don't require.

NOTE:

The current owner can return their 'live' stock to the publisher they bought it from: the publishers will have sold the stock to them on a sale or return basis.

However, once the current owner sells the stock to you, it is a firm sale. So the original publishers then have no obligation to accept this stock from you on a return basis.

Of course, any NEW stock you buy from a publisher will be on a sale or return basis: but stock you buy from the current owner will be a firm sale and there is no guarantee you can return it to the publisher.

3. Staff

Establish the status of the bookshop staff contracts.

It is important for you to review the current staff's contracts and that you understand the responsibility you are taking on.

Here are a few key areas with which you should familiarise yourself:

- All staff are protected by TUPE (Transfer of Undertakings, Protection of Employment.) No member of staff can lose their job if their job still exists after the change of ownership, which it probably will.
- You cannot replace existing, underperforming staff simply because of a change of ownership.
- The only way you can seek to replace poor performing staff is via performance management. There are many online resources giving guidance on how to handle underperforming staff.

You must make sure all staff issues are within government legislation.

If you are already a BA member, looking to buy another shop, then you can phone the BA's Business Support Helpline for HR advice **0116 2749112**.

When you make a formal offer for the business...

Here are two things to be aware of when you are discussing a formal offer with the current seller.

Be aware of who is going to benefit the most

The owner is likely to be very keen on selling. They may have the advantage of having bought a bookshop before, and you have probably not bought a bookshop ever. Make sure the seller is listening: you can always walk away.

Goodwill

In addition to buying into a lease, and buying some of the existing stock, you are also buying what is known as goodwill. Goodwill is an unmeasurable amount of money: an intangible asset which only becomes realised when the buyer ultimately sells. It is the perceived value of the business. As an ongoing value, it represents the work done so far to the business to develop a customer base, school business, etc.

You should:

- Ask the seller for a clear breakdown as to what their goodwill entails.
- Discuss this breakdown with your accountant.

After you have had a formal offer for the business accepted...

Here are the top six areas we suggest you look at, once your formal offer for the business has been accepted.

1. Set up publisher accounts

Just because the old owners had an account with a publisher doesn't mean you will automatically be able to have an account with them too.

It can take some time to set up trading accounts with suppliers as you may need to complete references and credit checks, so be prepared to allow time for this.

It's worth noting that many publishers share the same distributor. However, just because you have an account with one of a distributor's publishers doesn't mean that you can order another publisher's books, even if they come from the same distributor. You will need to set up an account with each publisher you want to get books from. See pages 19 and 20 of *How to Start and Run a Bookshop*.

2. Set up wholesaler accounts

Again, just because the old owners had an account with a wholesaler doesn't mean you will automatically have an account with them too.

Gardners are the main UK wholesaler. Most bookshops have an account with Gardners.

Gardners can provide an EPOS stock control system, Gardlink. BatchLine is the other main EPOS stock control system, provided by Batch who are the technological arm of the Booksellers Association Group. Both EPOS systems provide invaluable data to bookshops and most bookshops have one or the other of these systems.

3. Set up other supplier accounts

Your utilities, credit card provider, broadband, telephone will all need to be transferred from the current owner, to you.

It is hard work and can take time, but they should all be wanting to help give a smooth transfer.

You should:

- Get a list from the current owner of all existing supplier accounts and contracts.
- Get in touch with the various suppliers to request a transfer to your details.
- Get in touch with any suppliers whose recurring contracts you want to cancel (eg gutter cleaning, PAT testing, servicing of fire extinguishers).

4. Book trade systems

Despite having a rich history that can be traced to ancient Egypt, bookselling is at the forefront of retail technology. ISBNs, barcodes, indeed EPOS systems started with bookselling. Today, Batch, Nielsen Pubeasy, Gardlink, BatchLine, Edelweiss and National Book Tokens all provide electronic ordering, stock control, information and payment systems that put other areas of retail to shame.

You should:

- Research these systems so you understand their benefits. They can save you thousands of pounds and hundreds of hours of work each year.
- Set up accounts with these suppliers and learn how to use the systems to their full potential. Many of them have very clever and useful functionality.

5. Stock

You should:

- Ask the previous owner to cancel all old orders so that you don't receive unwanted stock.
- If possible, make your new account name clearly different from that of the previous owners, so that it's easy to identify parcels intended for the old owner. You can then refuse delivery of those parcels: it can be a long-winded process to accept the stock and ask the publishers to re-invoice.
- Remember to talk to your accountant about whether they are happy to consider your stock as an asset. You may need to register the value of your stock with them when you buy the business, and then provide yearly stock valuations.
- Ask Gardners or BatchLine if they can help you get the historic monthly sales information from the previous owner, to help you compare month on month sales. This may not be possible, but it's worth asking, as this is useful data.

After trading for 6-12 months, you may find that:

- Some of the stock you bought from the previous owner is not selling. Some publishers (NOT distributors) may be happy to make a deal with you for the return of this stock e.g. they might propose that you place an order for stock that is twice the value of the returned items.
- You want to put into a sale any of the original stock you bought but haven't sold, to help clear your stock. If you choose to write it off, this can count against corporation tax.

6. Inherited data and branding

Any customer data, websites, logos, etc come to you when you buy the shop.

You should:

- Check that any customer personal data you hold complies with the General Data Protection Regulation (see www.ico.org.uk)
- Get a list from the current owner of any website and designer contracts. You may want to change your logo, website and branding at some point, so it's worth reviewing the contract details.

Final Considerations

Two final thoughts:

Accept Help

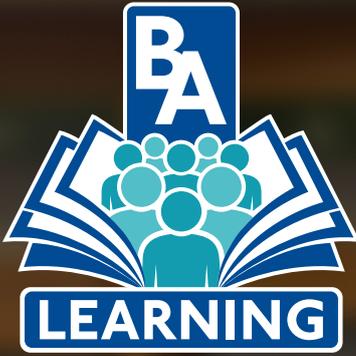
Unlike most retailers, booksellers help each other, rather than looking upon each other as rivals. There is a vast network of booksellers out there who love to share information.

You should:

- Find your nearby bookshops and meet for a chat. We need each one of us to succeed in order for us all to succeed.
- Become a member of The Booksellers Association. They offer many networking and business support opportunities, as well as benefits that save members time and money. They can also give you useful contacts and advice.

Have Fun!

Never forget to enjoy yourself! You are selling ideas, passion, education and entertainment. You are bringing joy to many people. You are improving literacy: allowing people to improve their lives, their friends' lives, and their children's lives. No other retail gets that pleasure!



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