

A plan for the Duke Video Store

Proposed by:

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Objective: Duke Video Store, possibly located in the Bryan Center or other location on campus at which students could rent a wide variety of videos.

Desired outcomes/goals:

- a) to provide a non-alcoholic entertainment option to students on-campus
- b) to increase the opportunity for dorms and other groups to hang out together in a fun and friendly environment
- c) to increase cultural opportunities on-campus through wide offerings of independent and foreign film rentals
- d) to make Duke a more independent community and thereby decrease the need for students to go off-campus. This is important because many students do not own cars and going off-campus is difficult

The details about the store are outlined in this plan. While we have done much research concerning the video rental industry in preparation of this Devils' Desires proposal, this is just a basic outline of how the store would work. We feel very strongly about the need for a video rental service to be provided on campus and we sincerely hope that you will consider this idea in some form. Feel free to contact us with any questions you may have. Thank you! – Elizabeth Sullivan and Jay Strader

Purpose:

The purpose of this business plan is to provide the background information and funding suggestions necessary for starting a Duke video store. Jay Strader and Elizabeth Sullivan, Trinity sophomores, have been working to establish a Duke video store since October, 1998. Strader and Sullivan have created this plan in order to present evidence showing the need for a video store, as well as to outline an effective strategy for establishing the store. A Duke video store will benefit the entire Duke community and provide a non-alcoholic social option for Duke students.

Description of Proposed Duke Video Store:

The Duke video store will rent of videos to all members of the Duke community. Duke students will be the store's primary market, but Duke faculty, staff members and members of the Durham community will constitute part of the market as well.

The store will have an initial stock of approximately 2300 videos, and video selection will grow with the regular purchase of newly-released videos. The store will include a wide variety of films, including dramas, comedies, new releases, horror films, classic films and foreign films. The ideal location for the video store would be the Bryan Center, a high-traffic central location on campus.

A number of options are possible for the physical set-up of the store. Although many options may be considered, the best option will probably be one that will require little floor space due to an efficient method of displaying videos. Copies of each video jacket will be displayed in an organized series of binders (or crates) from which customers will select the videos they want to rent. The actual videos will be kept in the back of the store in a tightly packed storeroom. This method will save space and will heighten security in the store.

The store will be operated by student managers (initially Strader and Sullivan or other student leaders) who will take responsibility for ordering newly-released videos and for keeping track of the store's finances. The managers and the other store employees will be under the supervision of Duke University Stores. (It is up to the University to decide who will officially run the operation, though Duke would own the store, not students.)

Operation hours will be primarily afternoons and evenings, with extended hours on Fridays and Saturdays. It is estimated that the store will be open approximately 30 hours per week, but there will be a 24-hour drop-off slot for video returns. An on-campus delivery/pick-up service may be implemented once the store is established. Also, an on-line system of video rental “shopping” will aid the selection of videos. These services, along with advertisements in *The Chronicle* and posted fliers, will enhance the success of the store.

Why A Video Store?

There is a clear need for a video store on Duke's campus. There is currently a very limited selection of videos in the Lobby Shop, Uncle Harry's and the East Campus Store. The few videos offered by Lilly Library are only available for rental by graduate students and faculty members.

The need for an on-campus video store has been documented by the social space survey administered by the Campus Social Board. 78.6% of the 1,805 students surveyed indicated that they would rent at least one video per month from an on-campus video store. In the optional comment section of the survey, many students chose to make positive comments concerning the video store proposal. These included:

"I would definitely support a campus movie store on West."

"I would like to see a movie rental place with more selection."

"In order for an on campus video rental place to be successful, the movie selections would have to be current. If they aren't, then I believe it would be a flop like Uncle's Harry's selection."

"A campus video store would be REALLY convenient."

"I think an on-campus video store is a great idea! Many students without transportation are unable to have access to video rentals. UNC offers video rentals in their dorms. As long as the campus video store was competitive with Visart and Blockbuster, it would be much more accessible and convenient and get more business."

"The video store would be awesome!"

"Having an on campus video store is a must!!!!"

"Conspicuously absent [from Duke's campus] are major attractions like...rental outlets..."

As is shown by the student comments, a video store will be well received by the Duke student body. It will be a useful service to all students because of the easy access to VCRs. VCR's are located in personal dorm rooms/friend's dorm rooms, dorm commons rooms and video carrels in Lilly Library. There are also televisions in the Bryan Center that could be provided with VCRs.

The video store would provide an inexpensive, non-alcoholic option for on-campus entertainment.

Financial Information: Start-Up Costs, Operational Costs and Sales Expectations

Start-up information:

In order to acquire a basic collection of videos, most small video stores buy out the inventory of a closed video store. The Duke video store will work with the DVA Company in order to buy out a small video store. It would buy approximately 2300 videos at the discounted rate of \$4.00-\$5.00 per video, which means \$10,000.00 would be necessary to acquire the store's base stock. The videos bought in this way will arrive in protective cases, labeled and fully guaranteed by DVA. This buy-out method, as opposed to buying 2300 new videos, is estimated to save at least \$5000.00.

In addition to the \$10,000.00 spent on videos, the total start-up cost will include the cost of the computer equipment necessary to run the store. This system will be important for tracking membership information for non-student clients and keeping financial records. Computer systems that suit the needs of a video store cost anywhere between \$1,000.00 and \$3,000.00. Also, a basic scanner and barcode system will be necessary to run the store. These systems run between \$200.00 and \$600.00.

The physical construction of the store (shelving, creation of a drop-off slot, and a sales counter) will also require funds. These costs depend heavily on the space designated for the store, but a rough estimate for construction is \$2000.00-\$6000.00.

Advertising will be important when the store is new. Advertisements in *The Chronicle* and flyers around campus will spread the word about the new store.

A time-line for the project depends on many factors but it could be established within a matter of months provided that funding and physical space are not problems.

Approximate Start-Up Budget Plan:

Inventory of small closed video store:	\$11,000.00
Computer:	\$1000.00-\$3000.00
Scanner and Barcode System:	\$200.00-\$600.00
Physical Plant Construction:	\$2000.00-\$6000.00
<u>Advertising Costs:</u>	<u>\$500.00</u>
Total Start-Up Costs:	\$14,700.00 - \$21,100.00

Operational Cost Information:

Each month, eight to twelve new A list movies (the movies that are most successful in theaters) are released on video. It will be necessary to stock copies of these popular videos in order to satisfy customer demand. The Duke video store will stock between one and eight copies of each new A-list video. The number of copies that the Duke video store will buy depends on the box office sales and popularity of each particular film. After one month of circulation around Duke, the Duke Video store will sell excess copies back to the distributor and keep one copy in stock for continued rentals. This system ensures that popular videos are always readily available, but there will never be an excess of outdated videos. Selling the videos back to the distributors in this manner will save money and storage space for the Duke video store. The most credible distributors are MS Video, Baker & Taylor and Ingram Entertainment. These distributors have been notified about the proposed Duke video store and they are ready to begin distribution to Duke immediately.

Employees in the Duke store will be paid approximately \$6.00 per hour (average student employee payment rate) and the store will be open approximately 30 hours per week. Two employees will work at a time. (There is potential for hiring work-study students as employees in order to save the store money, but this system will not be in place immediately.)

Miscellaneous purchases will also be necessary. The purchases will include posters informing customers of newly released titles and hard rental cases for videos.

Approximate Monthly Operations Costs:

Low Estimate: 10 new videos (average estimate) x 5 copies of each video (average: some will require only 1 copy while others will require 8 copies) x \$50.00 per video (average)
= **\$2500.00** (average)

(this cost will decrease during the summer due to less traffic at Duke)

The store will regain approximately \$1000.00 each month from the sale of excess used videos back to the distributor: 40 videos x \$25.00 for each video sold back
= **-\$1000.00**

Salaries of Employees: 25 hours per week x 4 weeks per month x 6.00 dollars per hour x 2 employees per hour
= **\$1440.00**

Miscellaneous costs
= **\$30.00**

Total Estimated Monthly Operations Costs = \$2500.00-\$1000.00+\$1440.00+\$30.00 = **\$2970.00**

Sales Expectations:

It is difficult to determine the exact number of videos that will be rented in a given amount of time. However, using empirical evidence gathered from existing college video stores (specifically the Big Red Video Store at the University of Indiana) and the results of the Campus Social Board's survey on this subject, it is possible to garner an estimate.

When 1,805 Duke students were asked how often they would use an on-campus video store the responses were as follows:

# of rentals/month	0	1 to 3	4 to 6	7 to 9	10+
% of respondents	21.4	46.8	23.7	4.6	3.4

Using the numbers at the lower end of the response scale, it is possible to estimate that 3750 videos will be rented each month. However, two effects serve to mitigate the expected number of rentals: a) people typically rent in groups (at least pairs), not alone; b) the survey respondents are not necessarily representative of the entire undergraduate population (i.e. students who completed the survey are those who are interested and involved in campus social options). Even given these effects, it seems a total figure, taking into account student, faculty, staff, and employee rentals as well, might be around 3000 rentals a month. If the store charges \$3.00 per video rental (the current national average for video rentals), only 990 video rentals per month will be necessary to maintain the store.)This is because $990 \times \$3.00 = \$2,970.00$ which will exactly cover the estimated monthly costs of the store.) Any rentals above 990 per month will constitute profits to be used towards enhancing and expanding the store.

What about DVD?

DVD stands for Digital Video Disc or Digital Versatile Disc. DVD is the newest form of optical storage technology and is becoming an important medium for movie viewing. However, videos will not become outdated for years to come since most people do not yet own DVD players and only 1800 titles are currently available on DVD. Even when DVD becomes more popular, certain titles will not be released on DVD, making videos essential part of the entertainment industry. The Duke video store will prepare itself for the rise of DVD popularity by purchasing A+ movies on DVD. (A+ movies are those movies that gross over 15 million dollars while they are in theaters.) This way, a collection of DVDs will be slowly built. This reasonable method of making the transition to DVD is being implemented by most small video stores nationwide.

What About Video Games?

The Duke video store will most likely branch out to include video game rentals. We will limit our selection to include only the most popular N64 and Sony Playstation games. These games cost approximately \$50.00 each and would be rented at a weekly rate.

Business Contact List

Initial Stock Dealer:

DVA
1610 N. Myrtle Ave
Clear Water, Fl. 34615
phone: 800-683-4147

Distributors:

MS Distributing Co.
6405 Muirfield Dr.
Hanover Park, Il. 60103
phone: 1-800-688-3383
fax: 630-582-8448

Ingram Entertainment
7900 Hickman Road
Des Moines, IA 50322

Baker & Taylor
Attn: Tim Valentine
100 Business Center Drive
Pittsburgh, PA 15205-1300
Tel: 800-775-2600 ext.2029
Fax: 412-787-0368

ETD
800 350-4529

Retail Store Software Providers:

Ghost Software
12600 S. Belcher Rd.
S103D
Largo, Fl. 34643
Tel: 813-449-1297

MBS
Tel: 800 664-4827

Take One
Tel: 800 451-4434

Scanner/Barcoding System Retailers:

ScanSource

Logue Court, Suite 6

Greenville, SC 29615

Tel: 1-800-944-2439

Contact: Gail Walker

A Bar Code Business, Inc.

Tel: 1-800-644-0077

Fax: 1-352-750-0088

<http://www.digital.net/barcoder/scan.html>

Fotel Inc.

41 W. Home Avenue

Villa Park, Il. 60181

Tel: 1-800 834-4920

Fax: 630- 834-5250

Contact: John Nachtrieb (CEO)

jnachtrieb@fotel.com

Miscellaneous:

Specialty Store Services (sells shelving, desktops, hard video cases.)

800-999-0771

Contact: Liola or Evan