

EXPLORING PROJECT FEASIBILITY THROUGH MARGIN
creating a hypothetical business model

Lipton Academic Press is a major publisher of scientific and engineering journals, books, and directories, and their products are developed and distributed in both print and electronic form. The company's route to market is through direct sale to customers, increasingly via an e-marketing campaign; almost none of its products sell in the retail trade.

Lipton is planning a new project in which it proposes to assemble a compendium of data, articles, text, third party information (charts, diagrams), graphs, maps and illustrations on the prospects for **Oil and Gas Exploration in Canada**. The compendium will include information about current exploration and drilling activity, details about local firms and suppliers who could source equipment and field materials, contemporary data on local experts and the availability of work force, logistical issues and opportunities, local environmental and health and safety related regulations, required permits and costs, and other sourcing information. The Compendium will require heavy editorial work, with high related origination costs. Publication is planned for October 2008.

Contributors will be commissioned on a work-for-hire basis, and paid one-off fees. They will assign (transfer) copyright to Lipton, who will also seek licences via fees for all third-party material (both text and illustrative), attempting to acquire copyright where possible. No royalties will be paid.

The print version of the Compendium will be a lavish 512 page cased publication with several sections in full (four) colour. The information will constitute high value material containing uniquely assembled 'must-have' information for which subscribers will be prepared to pay accordingly. But this is a specialist market, and print-runs will be low.

Lipton want to see if the costs can be carried on such a small number of customers, and sufficient margin made. The company's overheads are currently running at an average 43% of sales. They believe there is a market of about 1,000 customers – half of them will want to acquire the Compendium electronically. The rest (including libraries) will want a print version.

A set of costings has been produced on the attached page. Our job as consultants to Lipton is to decide if the project should go ahead. Is the price right? Have the numbers of people who will actually buy the Compendium been exaggerated? Would we sell more if it was cheaper? Is the specification right? What about the balance between print and electronic?

WIPO-FIP Workshop

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The Compendium

512 pages, octavo

1000 copies (50% print/50% electronic) @ \$295/\$249

Origination costs

Writers' fees	\$75,000
Third-party permissions	\$10,000
Freelance editorial and design	\$15,000
<i>Total</i>	<u>\$100,000</u>
Finance charge of 6% (<i>annual</i>)	\$6,000

Total pre-press **\$106,000** (*\$106 per copy*)

Manufacturing and marketing

PPB (*paper, print and bind*)
or digital @ \$15 a copy \$15,000

Direct marketing and promotion
@ \$5 a copy \$5,000

Total costs **\$126,000** (*\$126 a copy*)

Print Sales

500 copies (*25 gratis*)
475 @ \$295.00 \$140,125

Electronic (CD/DVD/online)

500 subscriptions @ \$249.00 \$124,500

Total sales **\$264,625**

Less costs **\$126,000**

Margin **\$138,625** **52.4%**

With overheads running at 43%, is a net profit before tax of 9.4% adequate?