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Production of books

Bringing the magic of a good story to your world

Dragon Scale Publishing



Dragon Scale Publishing

EXECUTIVE SUMMARY

Dragon Scale Publishing is a Boutique Fantasy Publisher with a dedication to producing quality stories for people of all ages. It produces book in the exclusively fantastic genre as it is one of the most popular genres in the literature and that is very highly estimated. Our authors are one of the best authors ranking on Amazon closely to such famous author as Ian Flaming.

We have thoroughly learned the market and know how to correctly build our marketing strategy and to reach our target customers. We have also many ideas that will undoubtedly bring profits that just need investments. We have already created own website and a big fan base that is very loyal. The leadership of the company knows what it wants and how to reach the goals.

Considering how many books are sold in the fantastic genre, the sales of such high quality fantastic books of our company will not keep us waiting. Besides, it is not a highly costly business, but rather brings high profits. Additionally, we have already established tight connections with our partners, thus, we receive many discounts and our costs are even more lowered. At the third year of operations it is expected to starting receiving profit. It is expected to gain 426 thousand dollars at the fifth year of operations. We are going to pay you 5% of total income annually. Thus, after five years of operations we will already pay you back near 220 thousand dollars. Considering the fact, that the Dragon Scale Publishing

expects 100 thousand dollars of your investment it is a very significant amount in a very short period.

WARNINGS AND DISCLAIMERS

The information in this business plan has been prepared by the Dragon Scale Publishing administration and is general background info about Dragon Scale Publishing's activities current at the date of writing and planned activities. This information is summing and doesn't pretend to be completed. The material in this business plan, including forecasts, should not be perceived as recommendations to buying, selling or other actions, as well as is not based on the financial situation, needs or goals of investors. Before taking any actions according to the information read, the investors should think over its appropriateness, assess all the information, and ask for an independent financial advice. All financial operations involve risks that can include the risk of adverse or unforeseen market, the risk of adverse political and financial situation, and others.

This business plan can contain projected statements, including the statements concerning the intention, convictions or current expectations according to Dragon Scale Publishing's businesses and operations, as well as the forecast of the market conditions, operation and financial results, sufficiency of the capital, and other things. Investors are warned not to rely on these forecasts and projected statements excessively. Dragon Scale Publishing does not assume liability to publish the results of any changes made to these projected statements to reflect events or circumstances after the date of creation of this business plan to reflect the

occurrence of unexpected events. These forecasts were prepared with caution, but the results may differ in both financially positive and negative way. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside Dragon Scale Publishing's control. The performance of others or of the market is not a reliable indication of future performance of Dragon Scale Publishing.

Unless otherwise specified all information is for the year 2016.

PRODUCT DESCRIPTION

The products of the Dragon Scale Publishing company include physical and electronic books in the Fantastic and Science Fiction. The company is planning to expend and currently it has several books being produced and video games in the developing process. In the near future, the company plans to launch a new line of comics. Let's consider each product separately.

One of the main products of the company is books in the fantastic genre. The main benefit of this product is the story itself. Professional authors and editors work over each story in details. The successful authors are an additional distinctive mark of the Dragon Scale Publishing. Two of our authors are in the list of Top 100 fantastic bestsellers in UK. One author had several books in the several lists of bestsellers months and even was in the Top 100 on the Amazon closely to Ian Fleming and other famous authors. A distinctive feature of our brand is that we work only fiction and don't publish genres outside of this. All books of the company are printed

on quality paper and with the high-quality ink. All our books we try to decorate with qualitatively bright pictures, each of which is created by the professional artists and illustrators. Dragon Scale products can be bought at such retailers, as Amazon, Barnes and Noble, as well local book stores and at the company's website. The price of a book is near 10\$, what depends on the author, date of publishing, production costs and other things. Each month the new book is published. Currently, there are number of books already on sale. There such Dragon scale books as The Wealth of Kings, Kingdom of Denall: The Troven, The Annals of Esparia, several books in the Drangon's Champion Series, in the Netherworld Gate Series and others. All books released by the company are also available in the electronic form that can be read online or downloaded in the convenient format. Electronic books are cheaper as they do not require high production costs.

Audio books are other important products of the company Dragon Scale Publishing. The distinguishable feature of this kind of product is a high quality of the record, a good audibility, and no extraneous noise. The reason is that we do use only a highly qualitative equipment. The selection of actors for the role of voice recording is made very carefully. Due to such careful selection we obtain the correct reading and accent what also affects the perception of the dialogue and narration. Because of the convenience of using audio books (especially in a transport), the demand for them increases every year. Thus, it is why we strive to produce exclusive stories and books exactly in such form.

The company also plans to launch a new line of comics. This genre is very important because it combines the features of such things as literature and

art. The distinguishable feature of our comics will be a story elaborated into details, interesting characters and exciting plot. On the comics will work a whole team of professional authors. Illustrations will be done by experienced and well-known illustrators. This product will be available both in hard copy and in the E-form.

The most ambitious project of our company is the development of video games. Computer games have had such a significant impact on society, that in the information technology occurred a consistent trend to a gamification for a documentary application software. It shows the relevance of the product. Developing a video game requires a lot of work in a large team of specialists involved.

Additionally, at the company's website, Dragon Scale Publishing offers a service for new authors to join the team. They have to fill the form and send the example of their work and, possibly, he or she will be accepted to the team. Moreover, the company provides presentations, where fans can speak with the author and receive a signature.

FINANCIAL ASSUMPTIONS AND PRO FORMA

We are going to attract 100 thousand \$ of investments. In the first two years of operations, the Dragon Scale Publishing is going to be in deficit due to the low sales and high production costs, salaries and other expenses. In the first two years it is expected to hire two additional authors to three existing. The salary of the existing full-time author is 4 thousand dollars per month, and other authors-contractors' - 2 thousand dollars per

month. In the first year we are going to sell near 18 thousands books near 10\$ each and this amount is going to grow from year to year. Starting from the second year the company is launching audio books and video games that will also bring profits. The production costs include costs for artist's work, producers' work, for suppliers, and for developing of video games. Near the half of our books are published, as the customers want physical books, and near the half of the retail price is going to publishers, what is counted in the production price, thus, it is so high. Our distributors ask for approximately a 50% discount from the actual retail price, so the expenses for the discounts for the distributors are also high. The tax income in the USA varies according to the amount of income. Thus, for the income from 100 thousand to 335 thousand dollars we had to pay 22.25 thousand \$ plus 39%; for the income from 335 thousand to 10 million dollars we had to pay 113.9 thousand \$ plus 34%. Every year we pay 5% of the total income to the investors. Thus, after the five years of operations the Dragon Scale Publishing will already return its investors approx. 220 thousand dollars and the return on investment on the fifth year of operations is going to be 37,8%. The Pro Forma is added.

Five Year Pro Forma Dragon Scale Publishing (thousand \$)						
	2016	2017	2018	2019	2020	Total
INCOME						
Own cash	5	0	0	0	0	5
Investment	100	0	0	0	0	100
Sales of books	180	270	505	790	1000	2745

	2016	2017	2018	2019	2020	Total
Sales of audio books	0	30	130	250	400	810
Sales of video games	0	30	120	230	500	880
Total Income	285	330	755	1270	1900	4540
EXPENSES						
Production cost:	67	92,5	117	164	234	674,5
Artists	12	12	12	18	24	78
Producers	45	57,5	78	113	160	453,5
Suppliers	10	13	15	18	30	86
Developing costs	0	10	12	15	20	57
Salaries	144	144	144	192	216	840
Discount for distributors	45	57,5	78	113	160	453,5
Marketing cost	10	10	5	5	5	35
Other	1	1	2	3	4	11
Total Expenses	267	305	346	477	619	2014
Net Cash flow	18	25	409	793	1281	2526
Income Tax	94,4	150,95	370,6	545,7	759,9	1921,55
Interest Expense	9	16,5	37,75	63,5	95	221,75
Net profit	-85,4	-142,5	0,65	183,8	426,1	382,7
EBITDA	18	25	409	793	1281	2526
ROI	-21,14	-27,62	5,358638	24,1811	37,79099	15,35872

MARKETING PLAN

The Fantasy and Science Fiction genres are the most popular and the most profitable genres in the US literary market that is estimated at 590.2 million dollars annually and ranks fourth among all literary genres on the market. Taking into account the unquenchable interest of readers to the comics and fiction, as well as the constant growth of the electronic books market, it can be confidently asserted that the market will continue to grow and that it is sufficiently free, available and easy to enter access to it is possible.

The main purpose for the next year of the Dragon Scale Publishing is to enter the US literary market and to increase the brand awareness. There was built a marketing strategy with the clear plan in order to achieve the objectives. It was decided to use conventions, themed festivals (such as Comic Con), and exhibitions in order to enter the market, to advertise the brand, as well as to introduce people with our brand and products, gain customer base, to get acquainted with the current trends on the market and with preferences of the potential customers. Moreover, there was decided to present the Dragon Scale Publishing brand and its products in schools, considering the fact that our target audience is young adults between 14 and 26 years old. By presenting our products in schools, we cover a large percentage of our audience and target customers. In order to make children be more interested in our trade mark, we are going to organize a competition for children. They will have to create the best picture for a comics or a concept of a new character for a new line, etc. It will increase the interest, and as a result, the brand awareness. Additionally, there are going to be used list subscription services, such as

Bookbub. It will allow introducing our products through unique offers and free versions (at the beginning). The company refused from traditional advertising due to the low budget, the high cost of this marketing tool, and a low return in this business sphere. As alternatives were chosen the internet advertising, brand promotion in the social networks, such as Facebook and Twitter, creating own website and using of SEO tools, and presentation of products on the niche sites. This approach is more accurate, what we need, and is cheaper and more effective taking into account the specifics of the market.

As an advertising tool on the Internet was chosen the Display advertising in the search engine Google. The display advertising is the best instrument when there is a small budget, and for such products as books, audio books and electronic books. Such form of advertising allows us to work only on the target audience, what significantly increases the profit from it.

Promotion in the social networks is very effective advertising tool. It is perfect for the company that enters the market, especially in such sphere as fantastic books and comics. The biggest plus of the brand promotion in the social networks is a constant communication with the audience and interactivity that keeps the company always up to date and makes it easier to understand the desire of the audience, as well as allows keeping connection with the customers and not making them be bored.

The own website is not so effective in the advertising at the beginning, as for the creation of the image and winning the trust of the customers, and of course as an information resource. The own website is a very important tool in today's highly technological world. The all advertising and activity in

the Internet should lead the customer to the site, where it is already possible to win the trust of the client, to interest him, and pursued him in the necessity of the product or at least to subscribe\register. Thus, the company increases its base of potential customers.

The Dragon Scale Publishing is also going to use the SEO tools to increase the natural traffic and attract new customers from the search engine. It is very beneficial as it is free.

Additionally, presentations, performances, thematic articles on the famous websites with a great coverage of our target audience are also very important components of the marketing plan.

The implementation of all points of the plan will allow entering the market and increase the brand awareness, and thus help to increase sales and business development.

LEADERSHIP TEAM

The Dragon Scale Publishing was created and started by husband and wife. The husband's first career was as the US diplomat and during working overseas has gained a tremendous experience in different spheres. The husband is not only the founder of the company, but also the creator of the idea. He is an ambitious man who strives to engage in things he love and was lucky to put the dreams into a life. A wife is founder and a right hand of the president. She is clever and purposeful woman and one of the main ideologists of the company, and in many ways responsible for

all financial decisions. In the company all decisions according the development, strategy, financial issues and others are made by the president and vice-president, namely the founders of the company.

One of the main ideas of the company is to search for the talents. There are many authors who never make it past the NY editor's slush pile. This company provides a chance for those people; here want to develop a talent, give him a new chance to reveal. The main purpose of the company is to create a quality product, to please the customers and fans, and to make the brand become the synonymous with good fantasy.

The team of the company consists mainly of authors that compose stories that company's fans like so much. Here is a friendly and family collective. Everyone works harmoniously as a whole. Amazing stories born exactly in such an atmosphere. The main author is a very popular writer that has many famous fantastic bestsellers and even is in the Top 100 on the Amazon. Additionally, the company cooperates with very famous artists and illustrators that have painted many comics and are proven masters. It is these professionals that draw all the illustrations for the books of the company. Moreover, the Dragon Scale Publishing cooperate with the number of contractors, publishing companies, and distributors. All partners are reliable companies and people who can be trusted.