

## Dateline Egypt, Library at Alexandria - Part 2 Nile.com dominates the Egyptian Book Market

### Nile.com changes the rules to generate cash

As documented in Part 1, thanks to competition from big chain store competitors Cleo & Mark and Store on the Border, the Library at Alexandria Bookstore went bankrupt and disappeared. Within 7 years, Nile.com came from nowhere to dominate those competitors. In the words of the Founder, “The beauty of the model is it would give customers access to a giant selection, yet we wouldn’t have to go through the time, the expense and hassle of opening stores **and dealing with inventory.**”



**How does cash work for bookstores and retail in general?** Typically, retail companies collect their funds at the transaction and have no Accounts Receivable. The question is how long they have to keep the inventory. Can they sell it before they have to pay the supplier? “Store on the Border” and “Cleo & Marks” were large multi-store retail chains. By wise inventory practices they unlocked the **Cash Potential** of their industry. The strategy is books **sold quickly** = discounts, lower margins. If Books **Sold slowly** = no discounts and higher margins. They were always balancing inventory turns with margins. but “One minute you’re at the top of the food chain, the next you’re somebody’s lunch.”, then came Nile.com.

**For the first 7 years, Nile.com was unprofitable in each year.** Within 10 years their financial performance dwarfed the competition. Nile.com tripled the competitor’s sales with lower inventory. At the center is the faster use of inventory without the requisite brick and mortar infrastructure.

	Nile.com	Cleo and Marks	Store on the Border
Revenue	\$ 14,835	\$ 5,411	\$ 3,821
Gross Margin	\$ 3,353	\$ 1,640	\$ 1,093
Margin %	22.60%	30.31%	28.61%
Income before Tax	\$ 660.0	\$ 215.0	\$ (36.0)
Income %	4.45%	3.97%	-0.94%
Improvements in WC	\$ 832	\$ 85	\$ 41
Cash	\$ 3,112	\$ 361	\$ 61
Accounts Receivable A/R	\$ 692	\$ 112	\$ 116
Inventory	\$ 1,200	\$ 1,367	\$ 1,327
Inventory Turns	9.657	2.876	2.106
PPE	\$ 543	\$ 824	\$ 639
PPE as % of sales	3.766%	15.23%	16.72%
Accounts Payable A/P	\$ 2,795	\$ 854	\$ 550
% of sales	18.84%	15.878%	14.439%

- Nile.com margins are significantly lower than their competitors
- They have traded margins for inventory turnover (4 times the competition)
- Nile.com cash is ten times the competition and is growing more rapidly
- Cleo & Marks and Store on the Border have Plant, Property and Equipment (PPE) 5 times greater than Nile.com

2008 results, MSN Money

**You say it’s their strategy?** Remember: the 2 new chains had advantages over the Library at Alexandria based on strategy.

\* The suspects respectively are a Roman, a Christian and a Moslem - Julius Caesar, Patriarch Theophilus of Alexandria and Caliph Omar of Damascus

Results through people and processes

### What is next?

**Revenue without inventory and material costs.** Nile.com leads in three new areas that are oriented to exactly this!



#### Amarna Digital Reader

Today book and hardware-related revenues for this product are \$1.2B or 10% of Nile.com revenues.

*The Books have no:*

**Material Costs**

**Inventory**

*In addition,*

they have direct digital delivery of music, movies and games

#### Selling Other's Products

Nile.com collects a commission instead of buying other's product.

Look at the products.

They even sell used books in direct competition with their new books!

#### Provide Fulfillment Services

Using their special backend services for other E-tailers such as the future companies Toys are Us and Target

**This whole thing is unfair! It is not apples to apples!** Fair is not always a word that applies in business. Was it "fair" when the two chains destroyed the Library at Alexandria?

**A better question is "How can I make a big change like this?"** Most of us can't! But that doesn't deprive us of taking some of the principles used here and applying them to a business our size.

#### Your Business Questions

What is your internet presence? Are you customer friendly? Can someone make a transaction easily?

How is your pricing affected by internet sales?

How can you make it easier to buy something on the net versus Customer Service or Sales?

Does your supplier assist in internet sales?

*In the last 24 months, Jacquard has worked with two consumer retailers, two Internet retail companies and two consumer goods manufacturers.*