

JOHN READINGS PTY LTD

Future Business Direction

To date, John Reads has been a very successful retailer but largely only in Australia, the Pacific and South-East Asia.

The new five-year strategic plan anticipates expansion in three new business directions:

1. Store market expansion fully into Asia specifically Japan, China and India,
2. Online market expansion globally,
3. Take-over of two primary market competitors in Australia.

Market Expansion Strategy: Asia

To increase Reads' markets, it is proposed to expand more fully into Asia – see market research report and business analysis conducted for Asia, Japan, China and India – specifically the relatively untouched markets for bookstores in China and India and Japan. As these countries all speak English, it is proposed to carry a full range of books in English with an initial range of the most popular books translated into the local languages.

It may be necessary and desirable to have the entire stock offered in local languages however this will be established overtime and once the brand is established.

Three project teams will be established, one each in Japan, China and India to establish and secure locations and launch the first five stores in each location.

Country Expansion Strategy

See separate documents for China, India, and Japan and Asia.

Possible Expansion–South America

No decision has been made on this yet however, an additional business development strategy is to expand into South America in three to five years. Extensive market research indicates that there is little retail competition in country and what competition there is seems to be failing. Another strategy to consider in this market is to buy-out or take over failing book retailers.

Funding Options for the Expansion Strategies

It is proposed to fund the Asian expansion strategy from reserves. This means that no additional capital will be required (either from debt or equity).

However, it is unclear at this stage about funding the market expansion into South America. It may be necessary to raise capital to fund this strategy. This will depend greatly on the early success of the expansion into Asia.

If capital is required and it cannot be drawn from reserves, other options will need to be considered, however this would not need to be considered for 18 to 24 months, and by then we should have some early indicators of the launch strategy in Asia.

Online Market Expansion Strategy

This is already well underway following substantive research in all key global markets (see online commercial business analysis report). There are currently three project teams:

1. Developing enhanced IT functionality and capability as well as the ecommerce strategy and action plan,
2. Procurement and logistics team: setting up depots at strategic locations in Singapore, Brazil and Canada,
3. Sales and marketing team: developing promotions and launch materials to raise brand awareness etc.

The funds for each of the three project teams have been budgeted for, and will come from, profits.

Take-over Expansion Strategy

This strategy is well developed and is now awaiting an opportunity. It has been commercially costed and we expect to be able to purchase these businesses at fire sale rates.

The timing of this strategy is somewhat elastic and depends on the viability in the short term of the businesses identified in the market analysis (see report on Australian competitor market analysis).

A wait and see approach will be adopted for the next 12-18 months after which time this will be re-evaluated.