Target Market

In the young adult market, girls will read more often, more books, and more habitually than boys. Younger teens will also read more often than older teens. With this in mind, we chose two literature-based social networks with a proportionally high number of young female teens, Fanfiction.net and deviantART, as partners to sell e-books to the target market. These social networks will experience double-digit growth in the next few years and provide an ideal environment for impulse buys because teens visit specifically to read literature.

Since young teens do not have credit cards, LibreDigital needs to a) decide on the demographic where parents are most willing to pay for e-books and b) implement a model that makes it easy and secure for them to do so. This demographic is high socioeconomic status, which usually equals high literacy and educational level.

The target market is girls between the ages of 13 and 15 with high socioeconomic status who read and use the internet equally often. On Fanfiction.net, the market size is 580,000, and, on deviantART, the market size is 145,000.

Recommendation

Because impulse buys result from low prices, ease of use, and negative mood, we have two recommendations. Our first recommendation is to sell chapters individually in order to lower cost and minimize risk (that the customer will not like the book). This suits the reading habits of the younger generation, who often read books chapter by chapter, and will ultimately increase sales of the entire e-book.

Our second recommendation is to implement a web interface that integrates the literature-based social networks with reading platforms such as PCs and e-readers into a convenient LibreConnect system that provides convenience for the reader. Because the target market already frequents the social network and owns at least one PC, they will be interacting with technologies that they trust, which provides brand association and increases conversion rate.

First, LibreDigital develops a website with an e-commerce framework to collect money from customers using PayPal. Then, LibreDigital develops an API to generate custom links based on an existing database of all the titles that exist in the company's database in LibreAccess or e-reader format. This API is placed on Fanfiction.net and deviantART. When customers click on titles that interest them, the social network sends important demographic and behavioral information to LibreDigital's database and redirects them to the e-commerce web platform, where they can log in to their PayPal account and select their default device (PC, Kindle, iPad, nook, etc.) if it is their first time using the service.

After that, their Fanfiction.net or deviantART account is linked to their PayPal account in the LibreDigital database, and they simply need to click a button to confirm the purchase. Then, because the LibreConnect platform contains the API of Amazon.com, iTunes, and other sites that control Kindle, iPad, and other e-readers, respectively, the confirmation will automatically send the e-book chapter to the customer's default device. If the default device is a PC, LibreConnect allows the customer to download a LibreAccess-encoded file. The simplicity of this model and ease of purchase greatly increases impulse buys.

Impact

Because of the high growth rate of both of the social networks, we project that LibreDigital will be able to earn a cumulative five-year net income of $3.4 million with a profit margin of 33 percent by investing in LibreConnect. Even with half of the projected customers, LibreDigital can earn about $760,000 over five years with a profit margin of 16 percent. Furthermore, because LibreDigital collects the entire price of the e-book or e-book chapter from the customer and does not pass this along to partners until the end of every month, LibreConnect will generate a cash flow that is ten times revenue, which can help pay for anticipated developmental costs in 2010 and 2011.

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