

Cognosco Publishers and Foundation

Proposed Business Model

July 2014



Date: July 1, 2014
To: Board of Directors
From: Lindsay Rice
Re: Cognosco Publishers and Foundation

The attached document contains a proposed business model for Cognosco Publishers and Foundation. Cognosco, a Latin verb, means to become aware of—to inquire, learn, and recognize. Inquiry, education, and recognition are everyday tasks for many readers, performed on such a regular basis as literature is rapidly and easily consumed that they are unconscious cognitive tasks. Yet such tasks are not everyday for everyone. Thirty-two million American adults were unable to read in 2013;¹ for every parent struggling with literacy, there are children unable to engage with the power of reading outside of formal education.

Cognosco Publishers and Foundation is an independent publisher of young adult and adult fiction, and its sister nonprofit organization dedicated to literacy efforts for both youth and adults. Rather than perpetuating the divide between those who can read easily and those who struggle, Cognosco aims to create a symbiotic relationship between the commercial world of publishing and the outreach of engaged and community-driven nonprofits. Though two separate entities in function, both Cognosco Publishers and the Cognosco Foundation aim to bring the joy of reading to every child and adult in the Dallas-Fort Worth region, regardless of whether it's their first or five-hundredth time to become aware of all that books have to offer.

Please consider the following proposal, which outlines the need for a literacy effort backed by publishers along with the goals and objectives of Cognosco Publishers and Foundation, and a plan for the program's design, growth, and sustainability. Your foundation's grant of \$50,000 would help Cognosco Publishers and Foundation begin its journey with the capital it needs to truly make an impact—an impact with future authors, readers, and learners.

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Executive Summary

The entity Cognosco Publishers and Foundation is comprised of an independent publisher and its sister organization, a nonprofit foundation dedicated to lessening the illiteracy rates in North Texas that stem from poverty and that have been shown to propagate continued poverty and crime.

Cognosco Publishers is an independent publisher of youth and adult fiction based in Dallas, Texas. Cognosco Publishers aims to fill a gap in the Texas literary landscape with a program that is dedicated to the production of works of fiction for children, young adults, and adults.

The Cognosco Foundation will purchase Cognosco Publisher's books at a reduced rate for use in literacy programs and events across the North Texas area, in addition to donations. Because illiteracy is a cycle that often continues if left untouched, the Cognosco foundation will use its sister company's wide variety of works to promote literacy and continued reading across all age groups. In an effort to maximize effect and minimize costs, the Cognosco Foundation will have only one paid employee, the president, and will operate with the assistance of volunteers.

The majority of the \$50,000 will go toward establishing Cognosco Publisher's initial program, with a small portion going to the salary of Cognosco Foundation's president.

Statement of Need

Cognosco Publishers and Foundation can fulfill two needs, one for a publisher in the Dallas-Fort Worth area focused on works of fiction, and the other for a renewed effort to decrease illiteracy and improve the quality of life for children and adults in the North Texas region.

As an independent publisher of fiction, Cognosco will play a role in Dallas's literary landscape that does not currently exist. As of July 2014, there are four small- to medium-sized trade publishers in Dallas—one primarily publishes coffee table books, another publishes English-language translations of international works, and the remaining two publish everything from business, self-help, cooking, and political books to the occasional popular culture or fictional work. None, however, are trade publishers focused on the production of fiction. For authors pursuing the publication of their fictional novel, whether for youth or adult, Cognosco plans to offer another avenue to market outside of the publishers found in New York.

Yet at the same time that thousands of new books are being published annually in the United States, thousands of children and adults are doing what they can without the ability to read. Though this in and of itself is not a new trend, it is becoming increasingly more evident that illiteracy, poverty, crime, and personal success are intricately linked. According to a 2013 study by the U.S. Department of Education, National Institute of Literacy, 14 percent of U.S. adults (32 million persons) cannot read and 21 percent of U.S. adults cannot read above a fifth grade level.² Furthermore, 63 percent of U.S. prison inmates cannot read.³ This connection between illiteracy, poverty, and crime begins at a much earlier age as it is a cycle likely to travel from one generation to another—two-thirds of students who are unable to read proficiently by the end of fourth grade are likely to end up on welfare or in jail.⁴

Cognosco Foundation, tied to the industry that is best served to combat illiteracy alongside educators, plans to join other nonprofits to reduce illiteracy in North Texas. Historically, literacy has been associated with poverty reduction and economic growth, as individuals and families begin to break the vicious cycle. Cognosco will help families learn to read by supplying educational materials, learning experiences, engaging events, and books for both children and parents.

Cognosco Goals and Objectives

A. Goals

- Develop an initial frontlist of both youth and adult fiction that will transition well into a solidly selling backlist.
- In an effort to reach all generations and the needs of every author, publish books in multiple appropriate mediums and adapt marketing efforts for that book specifically.
- Become a full-service publishing house capable of fulfilling every need within the publishing process.
- Work in tandem with sister company, Cognosco Foundation, to combat illiteracy.

B. Objectives

- Create a small, but highly capable editorial staff with ability to select and refine children's, young adult, and adult fiction that will consistently sell well both short-term and long-term.
- Select offsite vendors capable of printing and distributing hardback and trade paperback publications.
- Select offsite vendor capable of turning PDFs of select books into various e-book formats for distribution to the Kindle, Nook, iBook, and other online stores.
- Establish an initial in-house staff capable of managing accounts, completing all editorial work, completing all design and typesetting work, and handling marketing.
- Work with President of Cognosco Foundation to sell the Foundation books at a reduced rate, similar to the rate offered bookstores and online sellers, for use in their programs and events.

Program Design

Though Cognosco Publishers and Foundation is a single entity dedicated to the proliferation of reading, the publisher and foundation must, by nature, handle that singular goal in very different ways.

A. Cognosco Publishers Program Design

Editorial

The children's division of Cognosco Publishers will handle both children's illustrated books and short chapter books. Editorial work will be done in-house with a dedicated Children's Editor; freelance artists and illustrators will handle any necessary illustrations, unless an author produces both text and illustration for their work.

The young adult division will handle young adult fiction of all genres—romance, dystopian, science fiction, mystery/thriller, and general fiction. Editorial work will primarily be handled in-house by a dedicated Young Adult Editor, though freelance proofreaders and copy editors may be employed on a project-by-project basis.

The adult division will handle fiction of all genres—romance, mystery/thriller, science fiction, historical fiction, and general fiction. Editorial work will primarily be handled in-house by the Lead Editor and Associate Editor, though freelance proofreaders and copy editors may be employed on a project-by-project basis.

All books published by Cognosco will go through an editing process to check for and correct issues with plot, character development, style, facts, grammar, spelling, and punctuation. Prior to publication, all books will also undergo proofreading. Any ghost writing or developmental editing that is deemed necessary will be handled by freelance writers and editors on a project-by-project basis.

Because Cognosco Publishers aims to produce three divisions of fiction, it will do so according to the following schedule:

- The children's division will publish works for the first two quarters of each calendar year, and will aim to publish a minimum of two books per month, for a total of 12 children's books published per year.
- The young adult division will publish works for the second two quarters of each calendar year, and will aim to publish a minimum of two books per month, for a total of 12 young adult books published per year. Publication of young adult titles should take into consideration the pre-holiday selling period.
- The adult division will publish works year-round, and will aim to publish two books per month, for a total of 24 adult books published per year. Publication of adult titles during the second two quarters of each year should take into consideration the pre-holiday selling period.

This schedule does not take into consideration any books published only for release into the digital market, which will be treated as supplementary to the publication of titles intended for the traditional print market or for both print and digital markets.

Design and Typesetting

The in-house design department will handle book cover design, internal design, and typesetting for every book Cognosco publishes. Cognosco's design staff will work on children's, young adult, and adult works, both print and digital. Each author will be presented with two cohesive design samples by the design team, and will choose the design they like the best for their book. Depending on hardcover sales, a book's design may be tweaked for the trade paperback edition to include items like award medallions, review quotes, or to more prominently display the author's name or title of the work.

If an author is in need of other design work, such as branding, business cards, website design, or marketing materials such as bookmarks, Cognosco's design team or freelance graphic designers familiar with the author's work can produce such supplementary materials. If the author requests supplementary design work, a fee will be established based on the amount and complexity of work needed, and an addendum will be added to the author's contract with Cognosco Publishers stating that such a fee has been subtracted from the author's royalty payments per their approval of the work.

Account Management

Though myself, the Publisher, will be primarily responsible for onboarding new authors, the Account Manager will take over once a contract has been signed and will be their primary contact within Cognosco for questions, concerns, and communication between the various departments of Cognosco Publishers.

Accounting

Accounting, both internal and external, will be handled within one department, and will deal with monetary payments to authors, along with internal accounting, such as paying out salaries.

The frequency and form of author payments will be determined by individual contracts, as will royalties and other payments.

Printing and Distribution

Printing and Distribution will be handled by an external vendor who is capable of printing, distributing, and storing hardcover and trade paperback editions of books published by Cognosco Publishers.

Initially, Cognosco Publishers plans to use Print On Demand (POD) digital printing given that it is more cost effective and the size of print runs are currently unknown. However, the vendor chosen for printing will ideally be able to handle both offset and POD printing so that Cognosco has a variety of options available, depending on a book's likely sell-through.

The vendor chosen for distribution should be able to distribute Cognosco's books to buyers in the following channels:

- Independent and boutique booksellers
- Chain booksellers, such as Barnes & Noble and Half Price Books
- Online retailers, such as Amazon and b&n.com
- Ebook retailers, such as Amazon, Barnes & Noble, and Apple
- Public and school libraries
- The Cognosco Foundation

The price offered to Cognosco Publisher's buyers will be determined by both industry standards and contracts signed by both parties, and will not necessarily be the same for all buyers.

Digital Publishing

Because Cognosco will not initially have the funds to buy or develop a DAM, all digital publishing will be handled off-site by an external vendor capable of turning prepared PDFs into ebook formats for distribution to Kindle, Nook, iBook, and other digital markets. PDFs will be prepared by Cognosco's designers and proofed by Cognosco's editorial team or a freelance proofreader prior to preparation by such a vendor.

Marketing

Like the supplementary design work offered to authors depending on their needs, Cognosco's marketing department is available for authors who request assistance promoting their book. Cognosco's marketing professionals will tailor their approach to each book and author specifically, but are capable of offering the following:

- Formal and informal reviews by authors, journalists, bloggers, etc.
- Interviews with print and broadcast journalists
- Social media marketing on platforms such as YouTube, Facebook, Twitter, and Instagram
- Print, online, and TV advertisements
- Book tours and speaking engagements
- Supplementary marketing materials for distribution at events, etc.

If the author requests marketing, a fee will be established based on the amount and complexity of work needed, and an addendum will be added to the author's contract with Cognosco Publishers stating that such a fee has been subtracted from the author's royalty payments.

Internship Program

Cognosco will have an annual three-month Collegiate Summer Internship Program for its editorial, design, and marketing departments. Though the internships will be unpaid, Cognosco employees will work with students' colleges to ensure that they earn degree credit for their internship and will mentor interns while they

are with the company. Interns will be with the company for 20 hours a week, so that they may continue with any part-time jobs they may already have, and each intern's schedule will be worked out with their department prior to beginning with Cognosco Publishers.

Each summer, there will be two interns assigned to the editorial department, where they will be responsible for sorting through unsolicited manuscripts, doing a "read-review" on favorable manuscripts provided by the Publisher, and may be responsible for other tasks, such as pre-press proofs or proofreading marketing materials.

There will also be one design intern and one marketing intern per summer. Each of these interns will be tasked with shadowing Cognosco's designers and marketing professionals, and will be assigned various tasks within the departments, such as trying their hand at page layout or helping develop a social media marketing strategy for a young up-and-coming author.

B. The Cognosco Foundation Program Design

Employees and Volunteers

The Cognosco Foundation will have only one paid employee, the president. All other positions within the Cognosco Foundation, including board positions, are unpaid. All events will be staffed by volunteers, and volunteers will also be used for event preparation. Positions within the Cognosco Foundation will include:

- President of the Foundation
- Vice President
- Communications Chair
- Events Chair
- Volunteer Coordinator
- Volunteer

Once per quarter, Cognosco Publishers employees will help the Cognosco Foundation prepare for events.

Events

All events will be prepared for and presented in partnership with North Texas area businesses, schools, libraries, daycare programs, and other nonprofits. Event partners such as these will pay for all, or part, of each event's budget, and the Cognosco Foundation will take on all event planning, preparation, and staffing.

Events that the Cognosco Foundation currently plans to provide on an annual basis include:

- **The Summer BookBag**, sponsored by local schools: With backpacks for children, teens, and adults donated by local stores, Cognosco Foundation will fill the bags with books purchased at a discount from Cognosco Publishers and give them out at the beginning of summer.
- **The Gift of Reading**, sponsored by daycare programs and libraries: With wrapping paper donated by local stores, Cognosco will wrap up books for readers of all ages to be passed out during the holidays by daycare programs and libraries.

- **The Bookshelf Elf**, sponsored by local businesses: Volunteers will use wood and other supplies donated by local businesses to build simple bookshelves for families and individuals engaged in learning to read, so that they can have a home for their books and supplies.
- **Reading Classes**, sponsored by libraries: At local libraries, volunteers will help children, teens, and adults improve their reading with books purchased at a discount from Cognosco Publishers. Donations from local businesses, including reading aids, workbooks, and other books, will be given to class attendees to allow them to continue their studies at home.
- **Speaking Engagements**: Cognosco Publishers authors and other reading enthusiasts will read to children and teens to get them engaged in reading. Participants could go home with authors' books or other reading aids.

Supplies

As indicated above, supplies for events such as backpacks and workbooks will be donated by local businesses and assembled or distributed by the Cognosco Foundation's volunteers.

All books, if not donated, will be purchased at a discounted rate from the Cognosco Foundation's sister organization, Cognosco Publishers. Funds to purchase books and non-donated materials will be provided by the organizations sponsoring events with the Cognosco Foundation.

Cognosco Publishers Evaluation

A. Business Environment

The publishing environment in Dallas, Texas is not like New York or other publishing hubs, and has few competitors by comparison. Currently, two independent publishers based in Dallas publish fiction, and both only do so for a portion of the year.

This means that most competition will be from outside the state, in the form of small- or medium-sized publishers throughout the United States. For authors who do not wish to travel across the United States and want to be considered by a publisher at a time that is convenient for themselves and the readiness of their book, Cognosco Publishers will be the ideal independent publisher for them to pursue

B. Book Pricing

Book pricing will be determined on a book-by-book basis and will depend on the medium of content production, the genre of the book, the book's page count, and the cost of printing, shipping, and distribution.

C. Royalties and Author Payments

All payments made to Cognosco Publishers authors will be determined by the contract signed by the Publisher and the author. With the exception of additional services requested by the author, such as additional design work or marketing, all royalty payments will be based on the author's advance and the success of their book's sales.

D. Business Promotion

Cognosco Publishers will promote itself both in the North Texas region, in Texas as a whole, and throughout the United States as an independent publisher devoted to the power of reading. Plans to invite business in the first year include:

- Involvement in literary conferences such as BookExpo America, the ALA Annual Conference, and the DFW Writer's Conference
- Interviews in local magazines and newspapers, including D Magazine, Dallas Observer, Dallas Morning News, and the Fort Worth Star Telegram
- Interviews in Texas magazines and newspapers, including the Houston Chronicle, the Austin American-Statesman, and Texas Monthly
- Interviews in industry publications, such as Publisher's Weekly
- Involvement in local universities, few of which have presses of their own, as a way to reach student and professional authors
- Outreach to local businesses, schools, libraries, daycare programs, etc. in partnership with the Cognosco Foundation

Project Sustainability

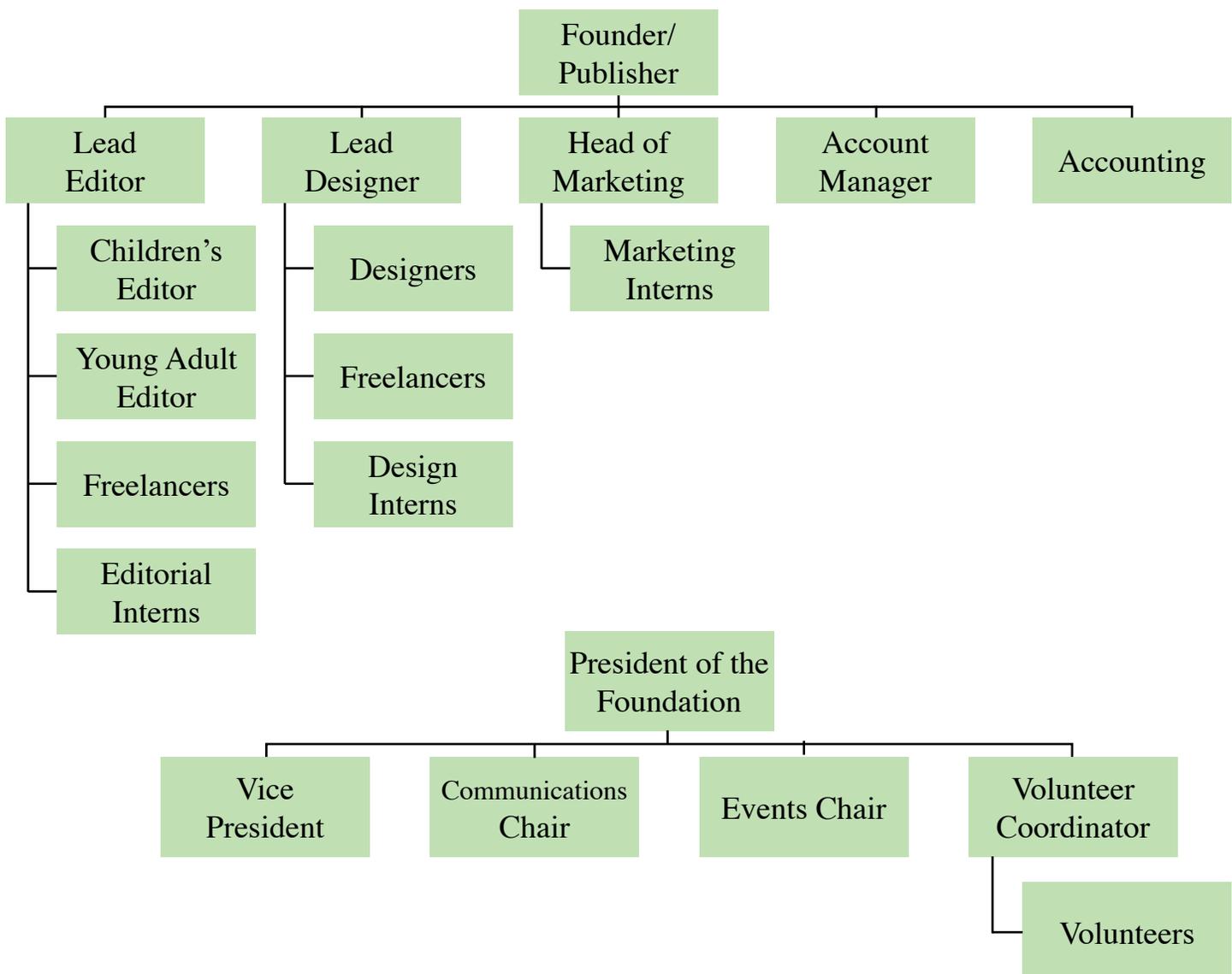
The budget outlined on page 10 of this proposal explains how Cognosco Publishers and Foundation plans to use the \$50,000 in the first year. In order to ensure that the \$50,000 has been well spent and that Cognosco is entirely sustainable and profitable within five years, Cognosco Publishers plans to:

- Employ the minimal amount of people necessary to exceed author's expectations and to produce stellar books, and otherwise rely on a freelance network and the Collegiate Summer Internship Program for capable help.
- Rent office space in a Dallas suburb such as Farmer's Branch or Carrollton, so as not to pay rent prices common in areas such as Downtown, Deep Ellum, or Plano.
- Publish a minimum of 48 printed books per year, and get them into a variety of distribution channels to hit a wide audience, along with straight-to-digital books.
- Use less costly printing options, such as Print On Demand printing, until the Publisher has a better grasp on the likely size of print runs.
- Use external vendors for ebook production, to minimize the cost of digital publishing that would be incurred by buying or developing a DAM and investing in an IT infrastructure to support it.

- Allow the marketing staff to devote their time to promoting authors who truly need marketing assistance, for a fee, so that they have the proper amount of time to dedicate to their work.
- Allow authors to pay fees for additional design work they might request so as to create an additional revenue stream.
- Support its sister organization, the Cognosco Foundation, by offering books at a discount, rather than donating them for tax write-offs.

By taking these measures, likely alongside countless more, Cognosco Publishers hopes to cut unnecessary costs and take steps to ensure that, as a small publisher, it is servicing both its authors and itself in a logical way.

Organizational Institution



Budget

The following is the budget that Cognosco Publishers and Foundation expects to follow in its first year as a publisher. This budget exhausts the \$50,000 that would be received by your foundation, along with other start-up seed money obtained.

Infrastructure

President of the Foundation salary	\$50,000.00
Cognosco Publishers salaries and freelance	\$425,000.00
Annual office costs	
A. Rent	\$20,000.00
B. Bills	\$10,000.00
C. IT support	\$1,000.00
Office supplies	
A. Office furniture	\$8,000.00
B. Computers	\$12,000.00
C. Computer accessories	\$1,200.00
D. Software	\$2,000.00
E. Printers	\$700.00
F. Phones	\$200.00
G. Desk supplies	\$300.00

Author Advances

Children's division	\$60,000.00
Young Adult division	\$60,000.00
Adult division	\$120,000.00

Printing and Distribution

ISBN Bulk Package	\$575.00
Print On Demand (POD), ebook production, distribution, and shipping	\$60,000.00

Event and Conference Costs

Conference attendance fund	\$8,000.00
Promotional materials	\$250.00
Travel expenses	\$5,000.00

Marketing Budget

Advertisements	\$6,000.00
Author promotional materials	\$2,000.00

Total	\$852,225.00
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Summary

Cognosco Publishers and Foundation is capable of filling a hole in the North Texas literary landscape, both in terms of book publishing and reading efforts. Though two separate entities in function, both Cognosco Publishers and the Cognosco Foundation aim to bring the joy of reading to every child and adult in the Dallas-Fort Worth region. Cognosco Publishers has the perfect location and opportunity to delve into the fiction marketplace and show that quality publishers can exist outside of New York City's boroughs.

Notes

1 U.S. Department of Education, National Institute of Literacy. Illiteracy Statistics. April 2013.

<http://www.statisticbrain.com/number-of-american-adults-who-cant-read/>

2 Ibid.

3 Ibid.

4 Begin to Read, Literacy Statistics. <http://www.begintoread.com/research/literacystatistics.html>