

# **First Book**

## Scaling and Expansion Proposal

July 2009

*A Self-Sufficient Global Resources Network*

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## Executive Summary

### *First Book is Poised for Unprecedented Impact*

*“The only behavioral measure that correlates significantly with reading scores is the number of books in the home. An analysis of a national data set of nearly 100,000 United States school children found that access to printed materials – and not poverty – is the ‘critical variable affecting reading acquisition.’” – Jeff McQuillan, author of *The Literacy Crisis**

#### **First Book: Mission**

First Book is a 501(c)(3) organization whose mission is to provide the highest quality new books and educational materials to children in need through existing community-based programs, addressing a critical factor affecting reading acquisition – access to resources.

#### **Statement of Purpose: First Book’s \$9M Plan for Comprehensive Expansion**

First Book is an established organization with a 17-year operating history and a proven model of social enterprise. With its experienced leadership, adherence to business principles, fiscal discipline, and institutionalized know-how in reaching communities in need, First Book has become so successful that governments seek its help. In the following pages First Book presents an overview of the problem at hand, and the framework for scaling its successful model by a factor of 10 over the next few years. The critical hurdle to growth at this point is the application of automation to system-driven logistics. We seek growth capital of \$9M to build the technology infrastructure, ramp up operations and run the supply line necessary to fully capture and unite a starving market of nearly 2 million community and school-based programs reaching children in need. The resulting network will have multi-layered resources and open source capacities to engage programs in the development and exchange of best practices and other aspects of their work in this sector.

#### **Social Imperative: Solving the Problem of Access**

Statistics reveal that the U.S. has made little progress in the battle against illiteracy in recent decades. A 2005 National Center for Education Statistics evaluation found that 70% of all 4th graders scored at “Below Proficient” levels and that reading scores among high school students actually deteriorated from 1984 to 2004.<sup>i</sup> First Book addresses this crisis in two ways:

- ❑ **First Book Directly Increases Access to Books.** Research confirms that children’s lack of **access** to books is a central obstacle to literacy development. Most children from low-income families grow up without access to this critical resource.<sup>ii</sup> One study from the University of Michigan found that in middle-income neighborhoods there is an average of 13 age-appropriate books per child, while in low-income neighborhoods there is one book for every 300 children.<sup>iii</sup> First Book addresses this need directly by placing millions of new age-appropriate books in the hands of children each year. It should be noted that First Book books represent the broadest range of the highest quality titles.
- ❑ **First Book Directly Improves the Quality of Programs.** In the U.S., there are an estimated 200,000 - 300,000 community literacy programs serving children in need. These heroic programs serve literally **millions of children for millions of hours each week**. Yet, 80% of these programs do not have a single

book for the children they serve. In addition, there are 1.5M classrooms serving low-income populations, where teachers struggle without adequate resources. By creating systems to provide a steady stream of books to children through these *existing* programs, First Book improves the quality of educational experiences these groups offer their children.

### **First Book: Positioned to Solve the Crisis**

First Book has established innovative and award-winning distribution systems that have delivered more than 65 million new books to disadvantaged children in the context of learning environments in thousands of U.S. communities. As a leader in this arena with the experience and footprint to create systemic change, First Book will leverage every component of its successful model. First Book's footprint includes grassroots involvement of volunteers, national networks of social and private sector partners, and a growing registry of community and school-based programs serving children in need.

### **First Book Works**

First Book commissioned a two-part study spanning 1999-2002 to evaluate the impact of its efforts and the results were compelling. Among other results, the initial study found that the number of children with a "high interest" in reading nearly tripled, increasing from 23% to 61% after receiving books from First Book. The 2002 conclusion of the study confirmed previous findings. The researcher noted, for example, that "with the involvement of First Book, the number of children who previously had a 'low interest' in reading fell dramatically from 43% to 15%."

*"Most Americans are deeply disturbed by our inability to solve the problem of illiteracy among our youth. The last great hope may be First Book - an organization that has brought leadership, business skill, and profound dedication to this critical problem." - Louis Harris, Founder, Harris Polls*

### **Taking First Book to Scale and Beyond: Access for All**

First Book will scale its proven model, and convene the first educational resources network of all community and school-based programs serving children from low-income families, thereby creating a consolidated platform for a fragmented and disenfranchised group of institutions at the bottom of the economic pyramid.

- ❑ **Scaling to Meet the Need.** To create permanent, systemic change, First Book must take its proven model to full scale. At current capacities, First Book reaches only an estimated seven percent of programs serving children in need within the United States, distributing over 8 million books annually. Within a decade, First Book will reach 80% of the targeted population of programs and distribute well over 70 million books annually.
- ❑ **Convening the First Book Global Resources Network.** Just three years ago, First Book served 4,500 programs. With the launch of its revenue-generating storefront, the First Book Marketplace, and increased title selection and inventory, the number of programs rose exponentially. By 2008, First Book had registered more than 18,000 organizations – and registrations continue by the hundreds each month. Within the terms of this plan, First Book proposes to harness the power of this growing community of programs and build the first global resources network to facilitate exchange among this sector. With the First Book Global Resources Network (GRN), First Book moves beyond its earlier, more traditional role as a grantor of books to that of a global convener of institutions and individuals serving the educational needs of disadvantaged children. First Book expects to register over 150,000 programs within three years and 250,000 of the total estimated 300,000 programs in the U.S. alone within five years.

- *New capacities mean access to best practices, curriculum and beyond.* First Book is dedicated to making certain that every book has maximum impact in the life of a child. Through the GRN, First Book will have robust capacity both to open source best practices through exchange among the programs, and to increase access to additional educational resources, including the latest reading curriculum, guidance for designing programs for every population of children, access to experts in critical fields, and digital content.
- *New network means a new consumer voice and economic strength.* The GRN will unleash a collective forum for the field, which will inform and guide the publishing industry as to the needs and interests of these front-line programs. The GRN will also offer new economic strength and allow First Book to magnify the programs' purchasing power through online secondary stakeholder outreach tools – enabling communities to support those who need help.

### **Impact: Equilibrium Change through a Self-Sustaining Model**

The depth and breadth of the social change and impact of this expansion will be measured in volume of resources distributed, number of programs and children served, sectors of the community involved, level of engagement and exchange, and gains in the quality of education at the bottom of the economic pyramid. The future of the effort is assured because First Book has already created a series of revenue-generating models and strategies that will lead to self-sufficiency in this next phase of growth.

- ❑ **Cause Marketing Campaigns.** Over the past 17 years, First Book has generated more than 75% of its annual operating budget through promotional and advertising packages with some of the largest corporations.
- ❑ **First Book National Book Bank (FBNBB).** The First Book National Book Bank places contributed inventory in the hands of children in need across the country. Although the books are free to the programs and the children, programs receiving books through the FBNBB pay a shipping and handling fee of \$0.35 per book. With the greater efficiencies and economies of scale, First Book will generate sufficient revenues through this cost recovery to make this portion of the enterprise self-funding.
- ❑ **The First Book Marketplace (FBMP).** First Book's online storefront, the First Book Marketplace has already established itself as a powerful "triple bottom line" enterprise: delivering the highest quality books at the lowest cost, offering the publishing industry a new market, and also providing a significant revenue stream to First Book. The economics of the model are simple: the FBMP offers books to eligible programs at the lowest prices available, which still generates a margin after costs to First Book. Surveys indicate these pre-school and after school programs alone have small budgets for book purchases that together total a minimum of \$90M annually. With this scaling effort which aggregates the market of recipient groups – and channels more purchasing power to them through secondary stakeholders – conservative projections show net assets after direct costs of \$4.7M annually generated within three years to apply to First Book's operating expenses and the expansion of the mission.

### **Major Components of the Proposed \$9M Expansion Plan**

First Book seeks funding of \$9M to expand its model to reach all children in need and convene a global resource network, while it continues to build toward a self-sustaining financial model. The major components of the plan are:

1. **Transforming the Social Enterprise Operating Model with "Sea Change" CRM Technology.** Design and implementation of a robust technology infrastructure will support state of the art customer processes. In

addition to leveraging First Book’s work, these new systems will create ground-breaking models of efficiency for the social sector. *(\$1M of funding)*

2. **Increasing Scope and Categories of Resources and Capabilities.** Efforts will be directed to provide all programs, from mentoring to classrooms to preschools, with a variety of high-quality, age- and language-appropriate books. Educational materials will be expanded to include art and music supplies, digital resources, podcasts, and more, constantly broadening offerings and lowering cost. *(\$3M of funding)*
3. **Expanding First Book’s High Quality Delivery and Logistical Capabilities.** First Book has secured expanded inventory availability through partner distributors allowing the organization to dramatically increase speed of service while greatly reducing up front investment. New capabilities to fulfill at the exponentially increased volume as well as supply chain and outsourced storefront capacity will be designed and negotiated. *(\$1M of funding)*
4. **Ramping Operations to Aggregate the Recipient Market and Leverage Economies of Scale.** First Book will increase the number of recipient literacy programs from 20,000 to at least 250,000 groups within five years and to 1M within a decade. A ramp up of operations over two years will create the sophisticated outreach needed to make this wide aggregation a reality. *(\$2.5M of funding)*
5. **Creating a Vibrant Social Platform at the Global Level.** The technology platform will enable First Book to act as the convener of hundreds of thousands of individuals, programs and classrooms. First Book will facilitate vibrant interaction among the ever-growing list of registered programs, create open source exchange of information and ideas, as well as bring new resources, links, and other content from the finest, most relevant sources. *(\$0.5M of funding)*
6. **Evaluating with Benchmarks.** The initiative includes expert third-party evaluation to monitor progress throughout the expansion phase. In addition, this research will generate critical new information regarding the educational experiences and opportunities for children in need. *(\$1M of funding)*

| FIRST BOOK SCALING GOALS | TODAY                                | FUTURE  |
|--------------------------|--------------------------------------|---|
| RESOURCES                | Provides new books                   | Provide new books, art supplies, music tools, links, podcasts, digital resources  |
| QUANTITY                 | Distributes 9 million books per year | Distribute at least 70 million books per year within the decade   |
| GROUPS                   | Partners with 20,000 local programs  | Partner with 250,000 local programs within five years and 1 million in ten years  |
| TRANSFORMATION           |                                      | Convene the interactive Global Resources Network to empower programs with access to cutting edge resources and the ability to exchange best practices |

**Fig. 1 First Book Projections: Reach, Engage and Supply the Entire Sector of Programs Serving Children in Need.**

## I. Social Imperative: Solving the Problem of Access

*“Access to books and educational material is the single greatest barrier to literacy development in the United States and beyond. If we can solve the problem of access, we will be well on the road to realizing educational parity – a goal which has eluded this country since its founding.” - Susan B. Neuman, Ph.D. University of Michigan, Center for the Improvement of Early Reading Achievement*

### **First Book: Mission and History**

First Book is an award winning 501(c)(3) organization with a simple mission: to provide new books to children from low-income families. Founded in 1992, First Book has distributed more than 65 million books – 42 million in the last six years alone. First Book addresses the issue of literacy:

- ❑ **Quantitatively**, through the volume of high quality books it provides, as well as
- ❑ **Qualitatively**, by distributing the books through and elevating the quality of existing community- and school-based programs serving children in need.

### **Statement of Purpose: First Book’s Comprehensive Plan for Expansion**

First Book presents its plan to expand systemically through a two-pronged approach of scaling its model and convening the first educational resources network for interactivity among community and school-based programs serving children from low-income families, creating a consolidated voice for a fragmented and disenfranchised group of institutions at the bottom of the economic pyramid.

### **Illiteracy: A Profound Problem and No Progress**

Although education is touted as a national priority, there has been little or no actual progress in advancing fundamental skills for all children – and the failure is especially severe among children in need.

- ❑ **70% “Below Proficient.”** The National Center for Education Statistics’ evaluation of No Child Left Behind reading proficiency scores in 2005 found that 70% of **all** 4th graders scored at “Below Proficient” levels.<sup>iv</sup>
- ❑ **“Unchanged for 25 years.”** According to the National Assessment of Educational Progress, reading skills among middle school students have remained virtually unchanged for 28 years, improving by only two points on a scale of 500 between 1980 and 2008.<sup>v</sup>
- ❑ **Reading Readiness Differential among Economic Strata is Severe.** There is a 60% differential in the school readiness scores between children from middle and lower income families prior to kindergarten.<sup>vi</sup>
- ❑ **Vocabulary Demonstrates the Chasm for Children in Need.** Children from low-income families arrive at school with 30% of the vocabulary of children from middle-income families.<sup>vii</sup>

### **Roots of the Problem: No Access, No Books and Lost Opportunities**

First Book focuses on the two most significant reasons that children are not becoming literate: first, there are no books in the lives of children from low-income families; and second, there are inadequate educational opportunities to inspire children to become readers.

- ❑ **Neighborhoods Have Almost No Books for Children in Need.** Researchers have found that one of the most significant reasons that there has been no progress on the issue of illiteracy is that no one has

adequately addressed the central issue behind illiteracy: access to books. Study after study has established that access to books is a core element determining whether a child becomes a reader, yet most children from low-income families – 30 million or 40% of children in the US – are growing up without this critical resource. One study from the University of Michigan, found that although there was access to an average of 13 books per child in average-income neighborhoods, the number dropped to one book for every 300 children in low-income neighborhoods.<sup>viii</sup> Without ready exposure to books, there is little chance they will become readers.

*In the United States, 30 million children – or 40% of all children in the U.S. – are now growing up poor or near poor (working poor), at the very bottom of the economic pyramid.*

- ❑ **An Army with No Supplies.** There are hundreds of thousands of programs where literally millions of dedicated teachers, mentors, administrators, and volunteers work every day to provide educational opportunities for millions of children in need. These committed programs are fragmented, disenfranchised and unable to gain access to educational resources to support their efforts. Over 80% of the estimated 200,000 – 300,000 preschool and after-school programs serving children in need in the US alone have no age-appropriate books.<sup>ix</sup> As one preschool administrator stated, these programs attempt their work “armed with nothing but a box of broken crayons.”

### How Big is the Problem?

First Book is one of a small number of suppliers of educational resources to programs serving children in need. The hunger for these resources is huge and unmet.

- ❑ **Major Literacy Groups are Overwhelmed by Demand.** Reading Is Fundamental, a program that distributes books and curriculum to literacy programs, has a waiting list representing more than one million children whom they cannot reach. They are now directing programs to First Book for books and have named the First Book Marketplace an official vendor to help meet the need.
- ❑ **First Book Distributions are Immediately Drained.** The First Book National Book Bank distributes six to eight million free new books every year and is still unable to meet the massive need. For example, in spring 2008, after notifying potential recipient groups of an imminent distribution of 500,000 books, First Book received requests for 3,000,000 books within hours.
- ❑ **First Book Registers the Largest Segment.** First Book has aggregated a network of 20,000 of these programs - the largest active database of such programs in the country, though still only 7% of the estimated total.
  - *Federal agencies request First Book's access and assistance.* These programs are underserved by the federal government as is clear from the fact that the U.S. Department of Education and Center for Disease Control contact First Book for outreach assistance.

*.....after notifying potential recipient groups of an imminent distribution of 500,000 books, First Book received requests for 3,000,000 books within hours.*

### **Why is First Book Important in the Battle Against Illiteracy?**

First Book dramatically addresses access and transforms the quality of community and school-based programs serving children in need. The programs report that First Book leverages their work in key ways:

- ❑ **Building Curriculum.** Because First Book allows programs to receive books regularly, programs report that they are able to plan curriculum and build enrichment strategies around their efforts. In a recent survey, 99.2% of the programs reported that First Book had enabled them to increase educational opportunities for their children.
- ❑ **Increasing Engagement of Volunteers.** Programs routinely report that adding the resource of new books to their efforts also inspires the volunteers who are critical to their efforts.
- ❑ **Extending the Impact into the Home Environment.** Because First Book books are often given to the children to take home and keep, the programs also report that they are able to increase their impact in the home environment, where many First Book families begin building their own children's libraries.

*"[First Book is] the light at the end of the tunnel, the pot of gold at the end of the rainbow. I wish you could have seen the smiles on the faces of kids and teachers. Students are never without a book, even now when the library is closed. Sometimes when things sound too good to be true, they are both true and good."* – **Sue Carnes, Librarian and Teacher, Kate Bell Elementary School, Houston, Texas**

## II. First Book: Positioned to Solve the Crisis

### *A Record of Business Innovation*

Founded in 1992, First Book has become nationally and internationally recognized as a significant resource for programs serving disadvantaged children. To date, First Book has provided more than 65 million new books to children in need through programs in more than 3,000 communities across the United States, representing a total contribution of over \$260M.

*First Book works. Among children who receive First Book resources their interest in reading nearly triples in just months.*

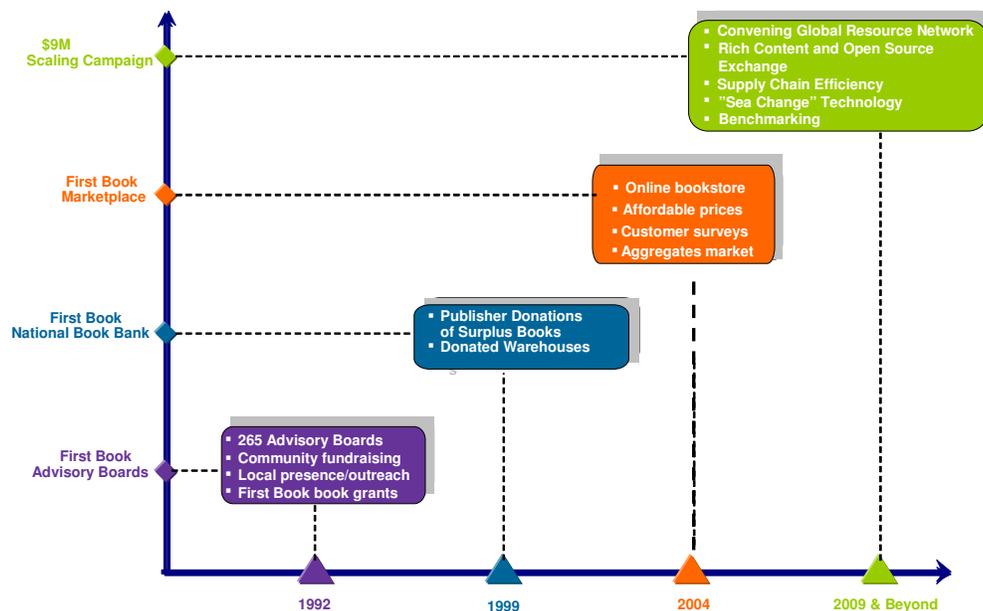
### **First Book Systems: Constant Innovation to Meet the Need**

Throughout its history, First Book has focused on innovation to propel its core mission to higher efficiencies and more substantial impact. Confronting the dramatic demand for books, First Book serially built three models to serve eligible programs and classrooms. Each of these three models is currently an active source of new books for the targeted sector and will benefit dramatically from the scaling effort:

- ❑ **Since 1992. The First Book Advisory Board Model.** First Book's local model is a network of more than 265 First Book Advisory Boards comprised of volunteers operating in their own communities. First Book Advisory Boards open access to a vital resource directly in the local community and have become a prototype for local First Book community involvement of other national stakeholder partners.
  - *The model.* Advisory Boards raise funds locally from community stakeholders and award book grants to heroic local programs serving the hardest-to-reach children, enabling these groups to order new books through the First Book Marketplace with funds raised by the Local Advisory Boards.
  - *The books.* Eligible recipient programs order from a wide selection of top quality books from the First Book Marketplace. First Book ensures that the selection of books represents the broadest range and the highest quality.
  - *The volume.* First Book book grants allow programs to order a book a month for each child for a year, and provide the program administrators with the opportunity, often for the first time, to hand-pick the books they need. This enables administrators to establish curriculum and dramatically strengthen their educational programming efforts.
  - *The current operations.* The First Book Advisory Board network of volunteers is currently staffed by 4 full-time employees and supported by an Online Resource Center as well as additional staff within the organization including IT, events management and accounting.
  - *The scaling challenge.* Although Advisory Boards provide a powerful reach into communities across the country, their strength is limited by the current technology framework. The proposed new IT infrastructure is critical to streamlining recruitment processes, program management and local stakeholder engagement.
- ❑ **Since 1999. The First Book National Book Bank (FBNBB).** By 1999, First Book recognized the need to accelerate the flow of books to children and, in response, designed a second innovative model. The FBNBB has been recognized as one of the most efficient and effective distribution systems in the country, and has drawn support from over 90 children's publishers as well as the Children's Book Council, and the American Library Association.

- *The model.* This channel is the first-ever centralized online system through which children’s publishers can donate a large volume of new books for distribution to the social sector. The FBNBB addresses a long-standing business challenge in the publishing industry: how to contribute print overruns and excess inventory of quality books in a cost-effective way.
  - *The books.* Recipient groups are notified of distributions electronically and then choose which books they prefer from the list of available titles. The books are no cost and groups pay only a nominal shipping and handling fee if it is necessary to ship the books to their facilities.
  - *The logistics.* First Book developed a highly entrepreneurial logistical system that uses contributed excess warehouse - “rolling warehouse space” - from the private sector. An online system allocates inventory to a growing registry of eligible programs that select the titles they determine to be age- and language-appropriate for the children they serve.
  - *The current operations.* The First Book National Book Bank is currently staffed by 5 full-time employees and supported by a range of additional staff within the organization, including event management, community outreach, literacy registry, strategic alliances, and accounting.
  - *The scaling challenge.* The FBNBB is an efficient operation, given that it marries large volumes of the excess capacities of the publishing industry with excess warehousing space from private and public sector partners. Nonetheless, significant staff resources are currently spent unnecessarily on manual tasks that should be automated. Additionally, First Book recognizes the volume of books distributed through the FBNBB and the range of titles available is limited by the inventory flow of the publishers. These donations are also likely to decrease as publishers institute greater efficiencies in the future. As a result, First Book launched its third model, the First Book Marketplace.
- **Since 2004. The First Book Marketplace (FBMP).** Faced with a sky-rocketing demand for high quality educational resources, First Book again sought to dramatically increase its capacities to respond to that need. In 2004, First Book created its third and most innovative enterprise, the First Book Marketplace.
- *The model.* The FBMP is an online bookstore available only to community programs serving low-income children. Sales to programs, including the added buying power of interested secondary stakeholders, result in a revenue stream to First Book, a hybrid model that both lowers the threshold to access and allows First Book to become self-sustaining at scale.
  - *Secondary stakeholders.* Each partner, individual or foundation that is looking to support the programs in their communities serving children in need is able to partner with First Book to establish credits for those local programs on the FBMP. This adds to the purchasing power of the programs themselves, dramatically improving the flow of resources for the children they serve.
  - *The books.* An expanding selection of high quality titles available at 50-85% below the lowest priced competitor.
  - *The volume.* The FBMP is revolutionizing the way programs teach the children they serve by providing increased access to books. The FBMP acts as an affordable resource on behalf of the entire ‘bottom of the economic pyramid’ in the U.S. – and the results to date indicate a broad-based and enthusiastic response with volume doubling each year.
  - *The current operations.* The First Book Marketplace is currently staffed by 4 full-time employees and broadly supported by the recipient outreach, strategic alliances, accounting, and IT teams.
  - *The scaling challenge.* At full scaling of the FBMP, First Book can supply every literacy program in the U.S. and beyond with resources. At present, scaling up is hindered by the lack of an adequate operating system, which makes outreach, order processing, reporting, and inventory management

very labor-intensive. The proposed initiative will remove obstacles to growth and enable the FBMP to expand – serving the mission of First Book by driving the threshold to book ownership lower as well as generating sustaining revenue to fuel expansion and global growth.



**Fig. 2** First Book Focuses on Business Innovation and Private Sector Partnerships to Accelerate the Supply of Quality Resources to the 30 Million Children in Need

### First Book Implementation: A Track Record of Impact

First Book targets a central and critical factor to reading acquisition - access to resources – and has made the elimination of barriers to book ownership its core business. First Book elevates the quality of the educational environment of children in need and its leadership brings recognized entrepreneurial versatility and efficiency to the task.

- **First Book Elevates the Quality of Education.** All of First Book’s models are designed to reach children through existing preschools, youth centers, libraries, after-school programs, daycare centers, Title I schools and other community initiatives serving children in need. By providing a steady stream of high-quality books and educational materials and engaging these critical community organizations, First Book elevates the quality of educational opportunities they are able to provide to the children they serve. Once the programs are strengthened, they become the third crucial support system for children in this country, complementing school systems and families in each community.
  - *Studies demonstrate effectiveness.* First Book commissioned a two-part study spanning 1999-2002 to evaluate the impact of its efforts and the results were compelling. Among other statistics:
    - **Children’s interest in reading nearly triples with First Book.** The initial study found that the number of children with a “high interest” in reading increased from 23% to 61% after receiving books from First Book.

- **Strong results confirmed.** The 2002 conclusion of the study confirmed previous findings. The researcher noted, for example, that “with the involvement of First Book, the number of children who previously had a ‘low interest’ in reading fell dramatically from 43% to 15%.”
- **Programs confirm lasting effect.** A program that provides First Book books to incarcerated parents in a setting where they read to their own children reports that the children take the books home and 86% of those children continue to read the books.<sup>x</sup>
- **Recent First Book surveys reveal impact.** A recent survey of over 18,000 programs clearly reveals the impact of an infusion of First Book books in the educational environment:
  - **Building curriculum.** 99.2% of programs were able to increase educational opportunities for their children.
  - **Increasing volunteer engagement.** 95.6% of those who use volunteers were better able to engage such assistants in that role.
  - **Extending the impact into the home environment.** 99.1% of programs were able to more strongly promote increased reading at home.
- **First Book Receives Awards and Recognition.** First Book has been honored for:
  - **Literacy impact and service to the literary community.** Author’s Guild, the *Chronicle of Philanthropy*, *USA Weekend*, Connect America, and Points of Light.
  - **Efficiency.** *Forbes*, Charity Navigator.
  - **Cause marketing.** *Fast Company*, American Marketing Association, Cause Marketing Forum, Promotion Marketing Association.
  - **Innovation and business models.** Yale School of Management, the Goldman Sachs Foundation, Harvard University, the Stanford Graduate School of Business, Columbia Business School, Social Enterprise Alliance.
  - **Entrepreneurship.** Schwab Foundation for Social Entrepreneurship, Aspen Institute.
- **First Book Maintains Financial Efficiency and Versatility.** First Book has received a four-star rating from Charity Navigator and earns unqualified third party annual audits. Non-program expenses have never exceeded 3% of revenue annually. Four major revenue models currently support First Book and its current operational budget of \$4.2M annually, including:
  - **Cause marketing.** Over its 17-year history, First Book has established itself as a leader in cause marketing, advertising, and promotional campaigns. These campaigns are tailored precisely to the business needs of the corporate partner. The partners range from the largest corporations to regional companies to start-ups. The campaigns may consist of event-based strategies, media outreach and online initiatives. Cause-marketing campaigns generate over 75% of all operating costs for the organization. First Book’s strategies have received the highest honors from the Cause Marketing Forum for their excellence.
  - **Individuals and foundations.** First Book receives support from a growing audience of individuals and private foundations through an expanded set of initiatives from customized online campaigns to the exclusive “First Book Salon Dinner Series.”
  - **First Book National Book Bank (FBNBB).** While the books provided by the FBNBB are provided at no cost to the programs and the children they serve, programs receiving books through the FBNBB pay

*First Book spends under 3% of funding on non-program expenses. More than 97% of funding is spent directly in service of its mission.*

shipping and handling of \$0.35 per book. With the greater efficiencies provided through the proposed technology upgrade, First Book will be able to generate sufficient revenues through this cost recovery to make the Book Bank self-funding.

- *First Book Marketplace (FBMP)*. The First Book Marketplace is an award-winning social enterprise offering books at the lowest cost to eligible nonprofits and schools that primarily serve economically disadvantaged children. Sales on the FBMP generate net revenue for First Book, permitting flexibility in inventory purchasing, pricing and further advancing its mission of reaching every child in need.
  - *Results and trajectory*. Launched in 2004, FBMP gross revenues nearly doubled in 2006, 2007, and 2008. Revenue is on course to exceed \$3.0M in 2009, with projections for the following year of \$4.0M. Scaling First Book's systems will allow for more efficient and rapid growth – in inventory, systems and customer outreach – thereby serving a larger customer base faster, and achieving gross revenue of \$15M within three years and \$25M within five years.

*"First Book has uncovered a unique philanthropic opportunity for corporations providing a critical service to both publishers and organizations serving disadvantaged kids." - Kathy Franklin, Vice President, Girls Franchise Department, Disney Consumer Products*

### **Competitive Analysis**

First Book has analyzed alternative sources for books available at no or low cost. There are four primary alternative sources of books for nonprofit preschool, after-school and school-based programs: direct sales from publishers and distributors; retail options; national literacy organizations that provide books at reduced or no cost; and discount wholesalers. In addition to these four sources, programs may receive occasional donations of gently used books from well-intended donors. This avenue of giving; however, is not reliable, and too often, children do not receive age-appropriate, quality books.

- ❑ **Direct Sales from Publishers and Distributors**. Several major publishers and distributors provide books for sale at discounted prices to literacy programs serving disadvantaged children, but they will not substantially affect First Book's position for several reasons.
  - *Publishers are unlikely to develop this market segment*. The ability of individual programs to pay for books is limited and the margins on sales to these programs are small. For this reason, the publishers cannot afford to invest the necessary funds to define and market to this diffuse segment in a truly substantial way. It is more efficient for the publishers to allow First Book to develop the segment and sell their books directly to First Book.
  - *First Book has an established national network*. First Book has already established extensive community networks in more than 280 markets nationwide. These volunteers stand ready to promote First Book with a passion that no traditional sales force can match.
  - *First Book possesses a database of programs*. First Book's proprietary database of programs serving the target population is growing daily. The database currently contains over 20,000 customer programs, with hundreds of additional groups joining each month.
- ❑ **Retail Options**. The identified market segments sometimes purchase books for children in their programs through a range of commercial retailers. There are two reasons; however, why retail options will not overwhelm the potential market for First Book.

- *Retail options are too expensive for this segment.* Hardback children's books currently retail for \$15 and up—far out of the range of the programs served by First Book. Even paperback books, which retail for \$5-\$8, are too expensive. A recent First Book survey found that “low-cost” retail options are still 35% to 262% higher than FBMP prices.
- *Selection at discount retailers rarely includes best-selling titles.* Selection also favors First Book, as less expensive retailers may offer lower prices periodically but their selection of titles is limited in breadth and quality.
- ❑ **National Literacy Organizations.** Existing nonprofit literacy organizations such as Reach Out and Read or Reading Is Fundamental are unable to satisfy current demands of the programs they serve.
  - *Literacy organizations act as First Book customers, not competitors.* Many of these organizations, such as local Reach Out and Read sites, purchase books and already benefit from First Book. They are also customers of the FBMP because of lower priced offerings. These national organizations do not have the infrastructure to handle mass purchases of books and so the prices offered to their affiliates are usually much higher than those offered by First Book.
- ❑ **Discount Wholesale Distributors.** Some schools and large youth organizations sometimes use wholesale distributors, to save time and money on the ordering process. Each distributor has specific requirements for new accounts, but offer 35% discounts and no minimum quantities. However, even with 35% discounts, First Book has found that there are only a handful of middle school chapter books, retailing for \$2.95 and under, priced as low as similar books on the FBMP.

### **First Book's Positioning and Advantages**

First Book has developed critical assets that perfectly position it to expand throughout the sector. Its competitive advantages include:

- ❑ **Substantive Expertise.** First Book's recognized experience and knowledge of children's literature, publishing, communications and outreach provide a substantial advantage.
- ❑ **Operational Efficiencies.** First Book has 17 years of experience with the logistics and operational demands required to provide millions of books to children in every state in the country. This experience encompasses warehousing, shipping and customer relations.
- ❑ **Credibility with Customer Base.** First Book has established itself as an innovative and reliable partner that has consistently worked to elevate the efforts of community literacy programs in varied educational settings and programs.
- ❑ **Network of First Book Advisory Boards.** First Book has a powerful national grassroots network of volunteers in more than 265 communities that will support the expansion of the organization.
- ❑ **Established Partnerships.** First Book has partnerships with all major players in the children's direct service world, including literacy programs, health clinics, Head Starts and many others. First Book's relationships with the full spectrum of children's organizations are invaluable to the effort.
- ❑ **Longstanding Provider Relationships.** First Book has cultivated valued and mutually beneficial relationships with the major children's publishers including Random House, Simon & Schuster, HarperCollins, and others, including distributors. First Book provides all publishers with access to a new and expanding demographic.
- ❑ **Purchasing Power.** First Book is able to leverage its relationships with publishers and broad reach to its customer base to obtain drastically reduced pricing. First Book essentially acts as a collective buyer for

children's service providers across the country and leverages economies of scale with the base of the economic pyramid.

### **Recipient/Customer Economic Strength is Multiplied and Leveraged**

First Book's mission, partnerships, unique supply chain model and revenue-generating capacity allow it to create a flexible system that guarantees the supply of books to all programs serving this population. Not reliant on any single revenue stream, First Book's systems allow multiple sources of purchasing power for these community programs and help ensure permanent, plentiful access.

*First Book builds inclusive partnerships that meet the needs of different demographics by leveraging the assets of all stakeholders.*

- ❑ **Local Programs: Power in Numbers.** First Book's surveys of eligible programs indicate that, although their budgets are modest, two-thirds of these programs have some funds to spend on the purchase of books and educational materials. In fact, programs in the U.S. are estimated to have a combined book **buying power at least \$90 million annually**. The barrier has always been the cost of books. By aggregating this demand, First Book can negotiate bulk purchases and achieve price points that were previously impossible.
- ❑ **National Organizations of Eligible Programs.** Umbrella organizations – national entities comprised of many local chapters – have already committed to encouraging their local member programs to register with First Book and to purchase their books through the FBMP.
  - *Networks upon networks.* As an example, in the case of the National Head Start Association, there are over 18,000 centers, each of which has a monthly budget for book purchases – collectively representing purchasing power of \$4.5 million annually. With the system changes proposed here, First Book will be able to accommodate broad new engagement strategies to deliver more books through these national networks.

*"...each Head Start program has about \$250 each month for book purchases... The price of books from the First Book Marketplace will allow [these] programs to continue to enrich children's lives by giving them greater access to quality reading materials they can take home." - Michael McGrady, Deputy Director, National Head Start Association*

- ❑ **Local Community Funding.** First Book and its networks of partners bring third party fundraising power to the purchasing equation for recipient groups.
  - *Secondary stakeholders: engaging every interested player.* As described, through the FBMP, corporations and service organizations become powerful secondary stakeholders, supporting recipient programs so they are able to make book purchases, thereby increasing the flow of age-appropriate reading materials – often right in their own communities.
  - *First Book's local Advisory Board model.* First Book Advisory Boards offer a powerful grassroots system that will integrate community secondary stakeholders into the outreach and support of local programs serving children in need.

### **First Book Management Team**

The executive management team for First Book is comprised of three members. This team is responsible for strategic development and daily operations. This team holds formal weekly meetings and is in regular communication to make all critical decisions relating to First Book.

- ❑ **Ms. Kyle Zimmer, President and CEO.** Kyle left a career in law to co-found First Book in 1992 and has guided its strategy and growth to date. Kyle has launched multiple social enterprises and in 2007 was named U.S. Social Entrepreneur of the Year by the Schwab Foundation for Social Entrepreneurship. A Board member of Ashoka, Kyle speaks and writes on topics such as social entrepreneurship and cause-related marketing at the global level.
- ❑ **Ms. Jane Robinson, CFO.** Jane brings over 30 years of experience in financial analysis and rapid organizational growth, including as CFO of prominent national law firm Zuckerman Spaeder, which expanded to six cities during her tenure. Jane joined First Book in 2001 and is responsible for financial projections, budgeting and long-term strategy for First Book and the FBMP. Jane has superior skills in financial management and has provided strategic guidance for First Book and its models during a period of unparalleled growth.
- ❑ **Mr. Chandler Arnold, Executive Vice President, and Executive Director, First Book Marketplace.** Chandler is responsible for the First Book Marketplace strategy, sales results and expansion. Prior to joining First Book, Chandler worked on customer segmentation and marketing for The Coca-Cola Company and worked on profit maximization and organizational design for The Boston Consulting Group. Chandler holds an MBA from the Stanford Graduate School of Business and graduated magna cum laude from Harvard University, where he founded the Harvard Emergent Literacy Project.

### III. Taking First Book to Scale and Beyond: Access for All

#### *Expansion to Empower a Proven Model*

##### **Goals and Impact**

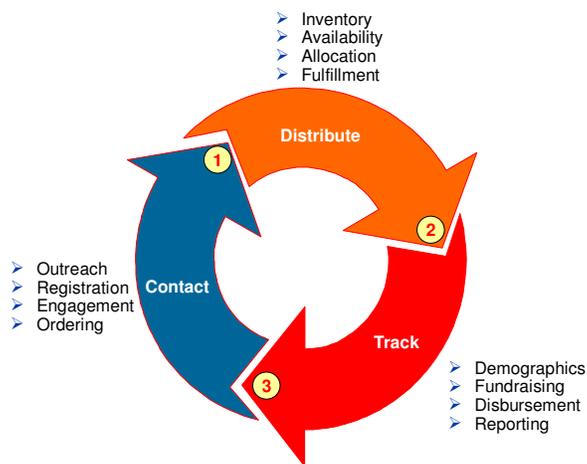
The First Book expansion plan includes two goals and an evaluation component to assure impact assessment:

1. The Scaling Initiative
2. The Global Resources Network
3. Evaluation with Benchmarking

##### **1. The Scaling Initiative**

Taking First Book’s model to scale will increase efficiency, exponentially increase the number and variety of books and educational materials distributed, as well as the number of groups and children served and vibrantly engaged. First Book’s scaling initiative will incorporate two major elements.

- **Scaling: Automating and Expanding Operations.** Scaling operations through a new IT system will take First Book from ‘good to great’ by integrating automated, commercial capabilities to replace current manual and redundant processes. The improved infrastructure will simplify every relationship, unify all data, and result in economies at every level.



**Fig. 3 Automated Operating Model Will Provide First Book with the Capability to Expand Delivery to a Growing Base of Partner Recipient Groups and to Engage Them Efficiently**

- **Information Technology design.** A redesign of First Book’s information technology infrastructure will allow First Book to cut manual effort, remove process “stove piping,” generate operational efficiencies, and lower costs. Based on industrial strength software, First Book’s new IT platform will streamline its proven model for increased access, while seamlessly integrating supply chain and customer interactions.

- **Applying lessons from the private sector.** Businesses use customer service management (CRM) systems to automate customer-oriented business processes to reduce costs, increase capacity to collect and analyze customer data to better fulfill customer needs, improve customer satisfaction and expand operational functions. Amazon.com, for example, used CRM data analysis to improve their customer experience, vastly increasing their product offerings and transforming the online bookstore into the world's largest retailer. A high performance mid-sized CRM system will not only facilitate First Book's ability to expand operations, but provide adequate data storage to allow the organization to identify and communicate its impact to a much finer degree.
- **Growth in capacity.** First Book has proven its model works at its current scale, but requires the new infrastructure capable of processing an ever-increasing volume of books, groups, and children served. Specifically, First Book has already registered 20,000 recipient groups and the new technology will result in easy maintenance of 50 times that number. The new operating model will provide a sophisticated tracking tool that will inform reporting and analysis on the demographics of each recipient group and the impact of each donation. First Book will be able to efficiently serve each stakeholder community and monitor its performance to ensure continuous quality improvement and the highest standards of customer service through advanced CRM.
- **Efficiency in automated operations.** Currently order management is carefully conducted on a case-by-case and often manual basis; warehouse inventories are limited and matching to orders is cumbersome; book title inventories are not connected to demand. The new technology will provide uniform data collection and processing requirements, and standardize roles and responsibilities. The system provides end-to-end integration, seamlessly connecting book donations to book orders from recipient groups. First Book's distribution processes will be enhanced so that First Book can reach the proposed growth level and service targets. Specifically, process improvements will include:
  - **Customer service:** achieving the most effective methods of communicating to stakeholders.
  - **Order management:** maintaining simplicity, service quality, and increased efficiency.
  - **Inventory management:** interfacing with publishers to coordinate future purchases and shortcut warehousing time.
  - **Fulfillment:** minimizing time and cost to ship orders.
  - **Registration:** simplifying and expediting the process while collecting necessary data.
  - **Commerce:** improving the customer experience.
- **Low cost now and in the future.** Based on dynamic configurable software, First Book's proposed information technology platform is designed to provide essential functionality at the lowest possible cost. The mid-sized CRM resulting in a simplified supply chain system will provide First Book with cost-effective, pre-configured workflow, business logic and reporting capabilities – no significant programming will be required to set up the system. As First Book grows, the pre-configuration allows the implementation of additional functionality without expensive custom coding efforts.

- **Expanding First Book's Inventory.** Funding will allow First Book to move ahead of the demand wave with a dramatic increase in inventory, expanding the choice of books and resources offered to programs serving children in need.
  - *Inventory selection.* The organization has longstanding and trusted relationships with children's publishers, the American Library Association, and many educational organizations, e.g., National Head Start Association, Reading is Fundamental, and Reach Out and Read, all of whom provide lists of excellent suggestions for reading material for all age categories. Also, First Book has handled book orders from its own literacy programs for 17 years and knows what has historically been of interest to them, and, importantly, will have expanded capacities to survey them for preferences.
  - *Inventory acquisition.* Under the scaling plans, the current inventory of 1,200 titles will be increased to an offering of at least 2,500 titles within the first year. First Book staff will expand negotiations with publishers and authors to evaluate and select thousands of titles, both back list and front list. First Book buys on a non-returnable basis, improving the economics for publishers and reducing the prices offered.
  - *Special Editions, simultaneous releases.* Staff will expand "FBMP Special Editions" by selecting content, printing options, and schedules for a broad range of unique format Special Editions of award-winning books never before available to children in need because of cost. By negotiating for exclusive soft cover editions with identical font size and artwork, this gap is closed.
  - *Inform pull marketing through Recipient Surveys.* First Book's staff will build upon experience in surveying registered programs to give the sector a voice in the resources offered. Such surveys inform pull marketing for inventory and serve as a virtual guarantee of near-term sales.
  - *Expand range of resources to include digital and media-based content.* First Book has developed relationships with new digital content producers as well as distributors of highly regarded educational programming. First Book will commence negotiations to add digital and multi-media product lines as well as a variety of educational materials to enhance art and music opportunities.
  - *Making every book count: access to curriculum development.* First Book has always been dedicated to maximizing the impact of every book provided. The new capacities will enable First Book to connect the network of hundreds of thousands of programs to the latest reading curriculum – so that every book distributed will be used in the most powerful way to elevate reading skills.

### **2. Building the First Book Global Resources Network**

The second major goal of First Book's expansion plan envisions a permanent, interactive resource network, harnessing the power of this growing community of programs serving children in need. The First Book Global Resources Network would transform First Book from its earlier, more traditional role as a grantor of books to a global convener of programs and organizations serving the educational needs of disadvantaged children. First Book expects to register 250,000 of the total estimated 300,000 programs, plus create substantial engagement with the 90,000 Title I schools in the U.S. alone, within five years.

- **Expanding First Book's Reach and Integrating Recipient Groups.** First Book staff will widen and intensify its outreach efforts, leverage expansive local partnerships, and implement registration initiatives within governmental, private and nonprofit sectors in every state including Title I school networks. Automated technological capacity will permit mass downloads of nationally networked groups, such as statewide Head Starts, dramatically increasing registration without manual labor.
  - *Registering recipient groups.* Recipient groups are registering through a portal on the First Book website at a rate of several hundred per month. The improved technology infrastructure will make

the portal a user-friendly, consolidated interface with First Book, vastly improving efficiencies in ordering and other interactions.

- **Designing materials for mass outreach.** First Book communication and literacy registry staff will design and distribute materials for broadcast outreach to new recipient groups including toolkits and websites.
- **Creating and dispersing communication tools.** First Book's communication staff will create communications tools and media outreach to local print and broadcast media outlets to publicize the registration push and accelerate participation.
- **Incorporating incentives to prime participation.** First Book will offer book distribution incentives to newly registered groups through publishers' partnerships to stimulate national registration of eligible recipient groups.
- **Engaging "Secondary Stakeholders."** First Book staff will create mapping, tracking and communications strategies, made possible with the new technological capacity, to engage First Book corporate partners, small businesses, and service organization partners in community-level support for programs serving children in need. Prototypes of these partnerships have already rolled out during the past four years, and robust expansion in this area only requires the technology tool to overlay the stakeholder contributions with the recipient groups' footprint.
- **Expanding Services through the Global Resources Network.** Through the proposed network, First Book will serve as an economic engine to aggregate the market that these programs represent and to address their collective needs in a range of ways, including:
  - **Development of vibrant interface.** The Global Resources Network will be a vibrant interactive web presence engaging the programs registered with best practices exchange, streaming video, podcasts, chat rooms, student interactions, and many other options.
  - **Access and interaction with experts.** Through the Network, these heroic programs and organizations will be able to obtain access to experts in the field as well as guidance relating to learning disabilities and links to more information.
  - **Digital content.** First Book will also be able to deliver and customize powerful and effective reading content including digital resources, which have remained beyond the reach of the lowest income families. No other national organization is positioned to deliver these additional cutting edge resources to the full scope of programs and organizations serving children in need.
  - **New products for a new consumer market.** First Book has already begun developing new formats for books as a result of feedback from its growing registry, and additional new products will be explored.
  - **Access to financial support through secondary stakeholder outreach.** First Book is also proposing online donation systems that will enable registered programs to access donations and financial resources at the community and regional level to buy books through First Book. The sources include corporations, service organizations, and individuals who want to improve the quality of educational opportunities available to children in their communities.

### **3. Evaluation with Benchmarking**

The third and final aspect of the expansion effort will include establishing benchmarks and a rigorous third party accountability plan, which is crucial to the success of the initiative. Working with an independent evaluator, Dr. Susan B. Neuman from the University of Michigan, and others yet to be named, specific

benchmarks will be identified at each stage of development. In addition, this research will provide critical insights regarding the educational opportunities, needs and experiences of children in need across the country. Dr. Neuman and her team will provide key formative evidence throughout the scaling up period on these benchmarks to ensure that goals are met.

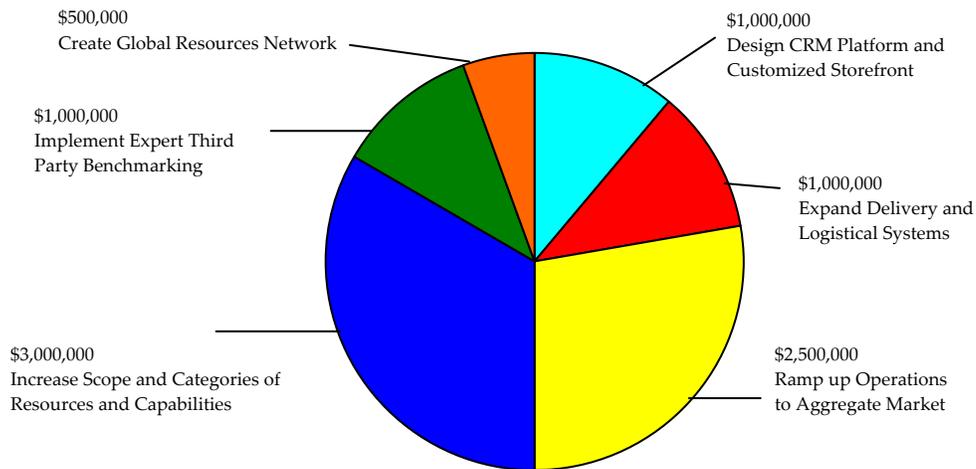
- ❑ **Dr. Susan B. Neuman.** Susan B. Neuman is a Professor in Educational Studies specializing in early literacy development and known for her groundbreaking work on access to books for low-income children. Previously, she has served as the U.S. Assistant Secretary for Elementary and Secondary Education. In her role as Assistant Secretary, she established the Reading First program, the Early Reading First program, and was responsible for all activities in Title I of the Elementary and Secondary Act. She has directed the Center for the Improvement of Early Reading Achievement (CIERA). Her research and teaching interests include early childhood policy, curriculum, and early reading instruction for pre-kindergarten to grade 3 for children who live in poverty. She has written over 100 articles, and authored and edited 11 books, including “Changing the Odds for Children at Risk” (Praeger, in press), “Educating the Other America” (Brookes, in press) and “Multimedia and Literacy Development” (Taylor & Francis, in press).
- ❑ **Benchmarks Will Include:**
  - *Broader reach among targeted population.* The independent evaluators will determine if there is greater saturation of resources in low-income communities nationally.
  - *Improved access to books and educational materials.* Evaluators will focus on the magnitude of the resulting decrease in the chasm in access to books between low-income and middle-income children;
  - *Wide selection and breadth of resources available and used.* The team will measure and monitor the increase in choice and book selection as well as their use; and
  - *Measurable increase in reading readiness among target population.* The evaluation will include a formal study to determine an increase in the level of engagement in early literacy activities as well as evidence of greater improvement in children’s readiness to read, reading scores, and other metrics among the recipient programs served by First Book.

## IV. Budget and Timeline

### *Expansion Categories and Schedule of Activities*

#### **Major Components of the Proposed \$9M Expansion Plan**

First Book seeks funding of \$9M to expand its model to reach all children in need and convene a global resource network of community and school-based programs, while it continues to build toward a self-sustaining financial model. The major components of the plan are:



**Fig. 4 Funding of \$9 Million Will Result in a Fully Self-Sustained Model**

- ❑ **Transforming the Social Enterprise Operating Model with “Sea Change” CRM Technology.** Design and implementation of a robust technology infrastructure will support state of the art supply chain and customer processes. In addition to leveraging First Book’s work, these new systems will create ground-breaking models of efficiency for the social sector. By outsourcing certain technology needs, First Book will harness the latest capacities for customer service and interaction while keeping investment and maintenance costs to a minimum. (*\$1M of funding*)
- ❑ **Expanding First Book’s High Quality Delivery and Logistical Capabilities.** First Book, having secured expanded inventory availability through partner distributors that dramatically increased speed of service, will design and negotiate new capabilities and new systems including outsourced storefront capacity to fulfill orders at the exponentially increased volume to come. (*\$1M of funding*)
- ❑ **Ramping Operations to Aggregate the Recipient Market and Leverage Economies of Scale.** First Book will increase the number of recipient literacy programs from 20,000 to 150,000 in three years, and to at least 250,000 groups within five years. A ramp up of operations will create the sophisticated outreach needed to make this aggregation a reality. From the largest community center to a mentoring relationship of two, all programs will have access to wonderful resources. (*\$2.5M of funding*)
- ❑ **Increasing Scope and Categories of Resources and Capabilities.** Efforts will be directed to provide all programs, from mentoring to classrooms to preschools, with a rich variety of high-quality, age- and

language-appropriate books. Educational materials offered will be expanded to include many new categories such as art and music, and First Book will acquire rights for both printed and digital resources as a means to both broaden offerings and lower cost. (*\$3M of funding*)

- ❑ **Evaluating with Benchmarks.** The initiative includes expert third-party evaluation to establish benchmarking and monitor progress throughout the expansion phase. In addition, this research will generate critical new information regarding the educational experiences and opportunities for children in need. (*\$1M of funding*)
- ❑ **Creating a Vibrant Social Platform at the Global Level.** The Global Resources Network platform will enable First Book to act as the convener of hundreds of thousands of programs – plus over 1.5M Title I school classrooms – that serve the educational needs of children from low-income families. First Book will facilitate vibrant interaction among the ever-growing list of registered programs as they share best practices and establish a new community. The network will also offer new resources, links, and other content from the finest, most relevant sources. (*\$0.5M of funding*)

### Schedule of Activities and Timeline

- ❑ **Successfully Completed Stages of IT Build-Out.** True to its history of innovation, in January 2008, First Book began the strategic analysis to prepare for the major expansion required to meet the growing demand the organization was experiencing. It was evident that technology was the central limiting factor for the expansion. To address the technology needs of the organization, First Book received contributed services from Tata to make a preliminary evaluation of requirements, and substantial pro bono services from Accenture, *valued at over \$425,000*, including:
  - *Comprehensive analysis.* Accenture provided a team of five technology professionals who performed a comprehensive review of all aspects of the organization’s operations, external as well as internal.
  - *Software recommendation.* The Accenture team evaluated available software that might accommodate the activities and growth anticipated by First Book, made recommendations for the appropriate software selection, and has outlined the necessary customization.
  - *Proof of Concept (PoC).* A proof of concept (PoC) was conducted to establish the feasibility of the CRM system to meet First Book’s activity management, workflow (i.e., process) identification and data integrity requirements. Designed to test the viability, technical issues and overall direction of the CRM implementation, the PoC defined required business processes, established system parameters and developed example workflows. As a result, First Book staff was able to test the CRM system in accordance with daily job responsibilities. The PoC also confirmed the accuracy of implementation scope estimates and reinforced the development roadmap. Given the success of the PoC, First Book is now fully confident of the technology needs of the organization and is prepared for expansion.
- ❑ **First 12 months.** Tasks completed during the first 12 months of implementation:
  - *IT build-out: operations, storefront and GRN design. (\$1M)*
    - **Operational infrastructure.** The technology company will build the CRM system in accordance with design and PoC developed.
    - **IT design and interface with new storefront.** The technology company will inform selection and interface with a third party storefront.
    - **Global Resources Network.** Discussions with field leaders and surveys of recipients and partners will inform design for interactive capacities.

- *Inventory selection and acquisition, and fulfillment design. (\$2M)*
  - **Publishers and distributors.** First Book staff will increase current inventory from 1,200 titles to at least 2,500 titles and advance discussions regarding new content and logistical efficiencies. First Book staff will expand FBMP “Special Editions” and simultaneous releases offered, as well as explore digital and multi-media product lines. First Book will negotiate with authors and publishers for rights on backlist titles to further enrich content.
  - **Warehousing and fulfillment.** Staff will negotiate with distributors and others regarding innovative logistical arrangements to streamline warehousing and fulfillment.
  - **Surveys for pull marketing.** Staff will conduct extensive preliminary surveys of registered programs giving them a voice in the resources offered.
- *Recipient and stakeholder networks. (\$1.75M)*
  - **Outreach material and communication.** First Book staff will widen and intensify its outreach efforts, leverage extensive local partnerships, and implement registration initiatives in preparation for new CRM interface.
  - **Surveys to inform Global Resource Network development.** Staff will design and implement surveys to inform creation of elements of Global Resource Network which will be launched at the 18 month mark.
  - **Engaging secondary stakeholders.** First Book staff will design and roll out initiatives to engage First Book corporate partners, small businesses, and service organization partners in community-level support for programs serving children in need in every state.
- *Evaluation and benchmarking. (\$0.33M)*
  - **Design and baselines.** Research team will set baselines for sample recipient groups in targeted regions. This will lay the foundation for the following two years of research which will provide critical feedback to First Book as well as essential data for the field.
- **12 – 24 months.** Implementation during the second year after funding is secured includes:
  - *IT build-out. (\$0.5M)*
    - **Web-based interface.** The technology company will complete the web-based interface to launch the Global Resources Network during the first 6 months of the second year.
    - **Global Resources Network.** Component discussion will be part of media and recipient engagement as the full rollout is accomplished.
  - *Inventory selection and acquisition, and fulfillment design. (\$2M)*
    - **Publishers and distributors.** Having increased inventory to at least 1,500 titles within the first year, First Book will increase selections to thousands of titles by the end of the second year. First Book will offer new digital and multi-media content.
    - **Warehousing and fulfillment.** Plans include pre-purchased quantities and maintaining an inventory at a distributor rather than a First Book warehouse, creating savings in shipping and logistical costs.
  - *Recipient groups and secondary stakeholder partners. (\$0.75M)*

- **Outreach material and communication.** First Book will engage an increasing population of secondary stakeholders, overlaying initiatives at the local level to channel their support directly to programs in their communities.
- *Evaluation and benchmarking. (\$0.33M)*
  - **Design and baselines.** Research team will set baselines at sample recipient groups in targeted regions. This will lay the foundation for the following two years of research which will provide critical feedback to First Book as well as essential data for the field.
- **24 to 36 months.** Data collection will continue and analysis will be completed:
  - *Evaluation and benchmarking. (\$0.33M)*
    - **Studies, analysis and reporting.** Research team will complete data collection and analysis of recipient groups in targeted regions. This will complete the benchmarking and provide critical feedback to First Book as well as essential data for the field.

## First Book Scaling and Expansion Proposal – July 2009

|  | To Date          | 0-12 mos           | 12-24 mos          | 24-36 mos        |
|--|------------------|--------------------|--------------------|------------------|
| <b>IT Design and Build-Out</b>   |                  |                    |                    |                  |
| Comprehensive analysis - <i>funded and completed</i>   | \$275,000        |                    |                    |                  |
| Software evaluation - <i>funded and completed</i>  | 25,000           |                    |                    |                  |
| Proof of Concept – <i>funded and completed</i>   | 125,000          |                    |                    |                  |
| <b>IT evaluation, Proof of Concept - Subtotal \$ 425,000 - FUNDED</b>  |                  |                    |                    |                  |
| Mid-sized CRM platform   |                  | 700,000            |                    |                  |
| Storefront interface   |                  | 50,000             |                    |                  |
| Web-based interface [ for Global Resources Network]  |                  |                    | 250,000            |                  |
| <b>IT platform - Subtotal \$1,000,000</b>  |                  |                    |                    |                  |
| <b>Inventory and Fulfillment</b>   |                  |                    |                    |                  |
| Publisher, distributor, author negotiations; plan Special Editions, simultaneous releases  |                  | 250,000            | 500,000            |                  |
| Inventory selection and acquisition, digital/media-based content, new resources  |                  | 750,000            | 500,000            |                  |
| Inventory selection and acquisition, currently unpublished content   |                  | 250,000            | 500,000            |                  |
| Design and implement survey capacities, pull marketing, field leader recommendations   |                  | 250,000            |                    |                  |
| <b>Inventory and logistics - Subtotal \$3,000,000</b>  |                  |                    |                    |                  |
| <b>Delivery and Fulfillment Logistics</b>  |                  |                    |                    |                  |
| Negotiations with shipping, delivery and distribution partners; third party storefront   |                  | 250,000            | 250,000            |                  |
| Develop and implement storefront customization , innovative solutions in inventory management  |                  | 250,000            | 250,000            |                  |
| <b>Fulfillment and logistics - Subtotal \$1,000,000</b>  |                  |                    |                    |                  |
| <b>Ramp up operations, recipient and stakeholder networks</b>  |                  |                    |                    |                  |
| Outreach and communication tool design, all First Book staff teams   |                  | 250,000            |                    |                  |
| Ramp up operations, outreach implementation, extensive partner/national network interface  |                  | 1,000,000          | 250,000            |                  |
| Multiple secondary stakeholder outreach initiatives; implement outreach w private, social sector partners, national service organizations. |                  | 500,000            | 500,000            |                  |
| <b>Ramp up, recipient market, stakeholders - Subtotal \$2,500,000</b>  |                  |                    |                    |                  |
| <b>Global Resources Network (GRN)</b>  |                  |                    |                    |                  |
| Design GRN for interactive capacities, recipient & partner surveys, field leader discussions   |                  | 250,000            |                    |                  |
| Recipient & partner surveys, component discussion, media & recipient outreach, full rollout  |                  |                    | 250,000            |                  |
| <b>Launch Global Resources Network - Subtotal \$ 500,000</b>   |                  |                    |                    |                  |
| <b>Evaluation and benchmarking</b>   |                  |                    |                    |                  |
| Design and setting benchmarks  |                  | 333,333            |                    |                  |
| Study implementation and data collection   |                  |                    | 333,333            |                  |
| Study implementation and data collection; analysis and reporting   |                  |                    |                    | 333,334          |
| <b>Evaluation - Subtotal \$1,000,000</b>   |                  |                    |                    |                  |
| <b>Total \$9,425,000</b>   |                  |                    |                    |                  |
|  | <b>\$425,000</b> | <b>\$5,083,333</b> | <b>\$3,583,333</b> | <b>\$333,334</b> |
| <b>Total Funding Secured \$ 425,000</b>  |                  |                    |                    |                  |
| <b>Total Funding Sought \$ 9,000,000</b>   |                  |                    |                    |                  |

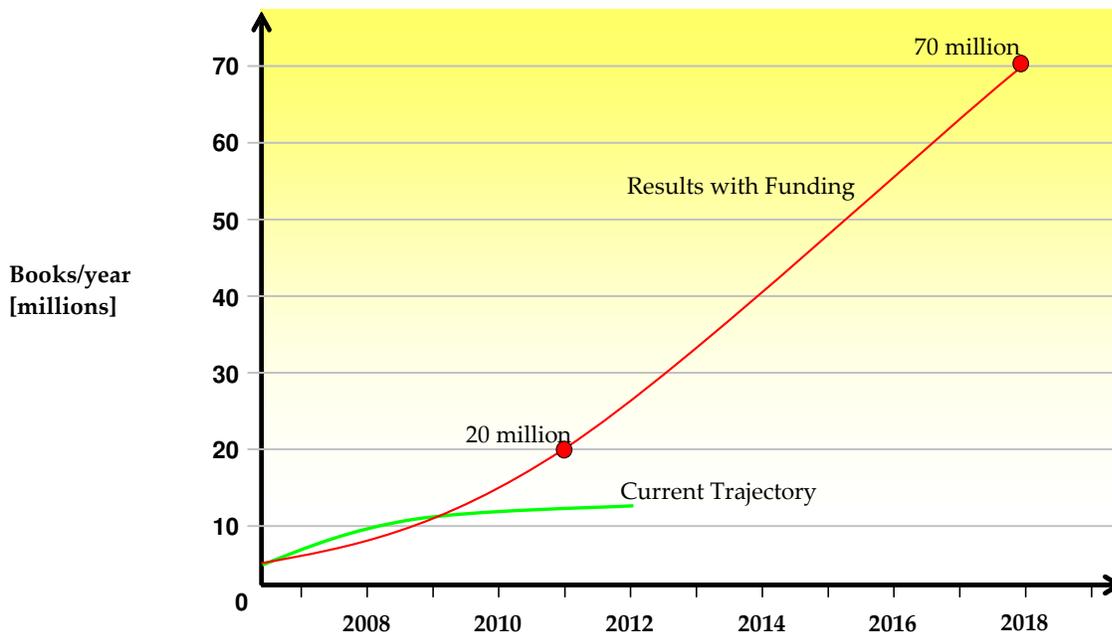
**Fig. 5 Tasks and Timeline**

## V. Impact: Equilibrium Change through a Self-Sustaining Model

### *Social Return and the Future*

#### The Future Secured through a Self-Sustaining Model

First Book offers books and a growing constellation of other resources to the target audience in two ways. Books are offered for free, with cost recovery for shipping and handling, through the First Book National Book Bank. In addition, books and other resources are offered for sale on the First Book Marketplace at low prices that still contain a profit margin to First Book to expand its mission. *It is very important to point out that First Book becomes self-sustaining with even a fraction of the recipient groups (targeted to be 150,000 registrants in three years) purchasing, or supported in purchasing, at the modest level of \$750 per year.*



**Fig. 6** First Book Projects Annual Distribution of 70 Million Books Within Ten Years

#### Leveraging All Components of the Supply Chain

First Book sells high quality books on the First Book Marketplace at an average purchase price of \$2.00 per book. With cost of goods at an average of \$1.00 per book, the per item sale price on the FBMP online store is currently \$1.00 per book over the cost of goods. This margin creates substantial net assets to First Book because the organization has leveraged each component of the supply chain to reduce direct costs and better serve the aggregated market:

- ❑ **Delivery.** First Book has negotiated substantially discounted rates for shipping;
- ❑ **Warehousing and Fulfillment.** First Book has negotiated donated and low cost warehouse space and discounted rates from private and public sector partners;
- ❑ **Inventory.** First Book has negotiated discounted prices from publishers and distributors by buying on a non-returnable basis at significant quantities;

- ❑ **Market Aggregation.** First Book created the first and only online system offering books at no cost or low cost to local programs serving children in need. This growing registry of participants consistently receives improved access to books and educational materials as well as incentives to support their efforts and online tools to raise contributions to purchase their own books.

*First Book at scale is a self-sustained economic model serving all programs in the target population, and in need of no further funding.*

### Cost Analysis and Sustainability Levels

First Book's model produces a revenue stream calculated to cover costs and produce net assets for the mission of the organization. As sales increase beyond the current level of 1 million books for 2008, economies of scale help First Book realize a self-sustaining model. The current financial model, results, and conservative projections are:

- ❑ **Current Economics of First Book Marketplace Sales.** At a volume of 1 million books sold per year, the breakdown of costs and net assets is
  - *Direct costs.*
    - **Cost of goods** = averages \$1.00 per book
    - **Shipping** = currently into and out of a warehouse, approximately \$0.17 per book
    - **Bank plus merchant charges** = 2.5% of sale price on credit card and e-check transactions plus 2.5% internet processing costs; book orders are prepaid so no accounts receivable are handled
    - **Warehouse and fulfillment** = approximately \$0.23 per book
  - *Net return and indirect costs.* Resulting net of approximately \$0.50 per book to First Book covers indirect costs related to operation of the system. At volumes over 5M books per year, First Book will realize higher net assets due to economies of scale, which will permit mission expansion, one form of which will be lower price points on books for recipient groups.
  - *Results for 2009.* Sales for 2009 are projected to exceed \$3.0M. Direct customer purchases currently average approximately \$750 per purchase. Secondary stakeholders are increasingly entering into partnerships with First Book to add to the purchasing power of the recipient groups.
- ❑ **Conservative Projections.** After scaling, dramatically improving the ability to interact efficiently with recipient groups, increasing the inventory selection, and creating power and efficiency among staff and all other components of First Book's operations, the sales can very conservatively be projected:
  - *Gross revenue.* Within 3 years, if a low estimate of 100,000 recipient groups are registered and **25%** of them are purchasing *or given credits to purchase* on the First Book Marketplace, the result is:
    - **Customers and sales.** 25,000 groups @ \$750 (one purchase annually) = \$18.75M (9.38M books)
  - *Cost of good and other direct costs* = \$14.07M
  - *Net return and indirect costs* = \$4.68M
- ❑ **Mission Impact.** Such a revenue-generating model allows First Book the flexibility to use this revenue:
  - *To increase the number of children served.*
  - *To cover operational costs of expanding the mission.*
  - *To push the price for resources lower.*
  - *To build more diverse inventory and a vibrant community of exchange.*

### **The Impact and Social Return of the Expansion Plan**

First Book's goals are to deliver more books, reach more children, engage and meet the needs of community literacy programs, support continuous organizational innovation and build a vibrant and self-sustaining enterprise. The trajectory for growth and impact within the near future and within the decade can be conservatively projected as:

- ❑ **Number of Books Increased.** This category will also include digital and media-based content within a very few years.
  - *20M annually* within three years.
  - *70M annually* within the decade.
  - *320M new, high quality books* cumulatively distributed to programs serving children in need within the decade.
- ❑ **Number of Programs and Title I Schools Served Increased.** This category is projected to grow exponentially higher than the number of programs First Book currently serves. The numbers will reach far beyond the following projections which are confined to community-based programs, and will include the 90,000 Title I schools, each of which has approximately 20 classrooms that would individually access resources for their children each year.
  - *100,000 community programs* within 18 months of IT infrastructure launch.
  - *150,000* within three years.
  - *250,000* within five years.
- ❑ **Impact of Global Resources Network.**
  - *Effect reading readiness differential between children from low- and middle-income families.*
  - *Increased access to products on the forefront of educational development.*
  - *Overlay with secondary stakeholder networks expanding programs' purchasing power.*
  - *Engagement and enrichment of neighborhood and family environments, creating a platform for broad exchange among programs serving this population.*
- ❑ **Self-Sustaining Model in Need of No Further Funding.**
  - *Revenue generated* through sales and secondary stakeholder initiatives will cover new cost of goods and expansion of programming, and will allow the flexibility to lower price points.

### **The Future: Permanent Access for All through the Global Resources Network**

First Book addresses the long-standing issue of access to books, which has broad-ranging implications for literacy. The history of the organization demonstrates that innovation and commitment can be used to overcome seemingly intractable problems. The remarkable hybrid design of First Book holds even greater promise: sustainability.

With the engagement, both formally and informally, of committed funders, we can achieve an historic transformation of the literacy landscape and launch the first Global Resources Network to solve the problem of access to resources for children in need - permanently.

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*One day an 8 year old boy came running up to me at a First Book distribution asking, "Ma'am, do you have any Spanish books to give away?"*

*I said, "Honey, are you studying Spanish in school?"*

*He smiled, "No – but I know it's out there and this is my BIG CHANCE!"*

*This is the essence of First Book – giving every child their big chance.*

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<sup>i</sup> National Center for Education Statistics, U.S. Department of Education, The Nation's Report Card 2005.

<sup>ii</sup> National Center for Children in Poverty, Columbia University – Mailman School of Public Health. September 2007.  
[http://www.nccp.org/publications/pub\\_762.html](http://www.nccp.org/publications/pub_762.html).

<sup>iii</sup> Neuman, Susan B. and David K. Dickinson, ed. *Handbook of Early Literacy Research*, Volume 2. New York, NY: 2006, p. 31.

<sup>iv</sup> Lee, Jihyun, Wendy S. Grigg, and Patricia Donahue. *The Nation's Report Card: Reading 2007*. National Center for Education Statistics, Institute of Education Sciences. Washington, D.C.: U.S. Department of Education, 2007. <http://nces.ed.gov/nationsreportcard/pubs/main2007/2007496.asp>.

<sup>v</sup> U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, National Assessment of Educational Progress (NAEP), selected years, 1971–2008 Long-Term Trend Reading Assessments.

<sup>vi</sup> Joseph Dalaker and Naifeh, Mary. *Poverty in the United States: 1997*. United States Bureau of the Census, September, 1998.

<sup>vii</sup> Hart, Betty, and Todd R. Risley. *Meaningful Differences in the Everyday Experience of Young American Children*. Baltimore: Brookes Company, Inc., 1995.

<sup>viii</sup> Ibid.

<sup>ix</sup> Neuman, Susan B., et al. *Access for All: Closing the Book Gap for Children in Early Education*. Newark, DE: International Reading Assoc., 2001, p. 3.

<sup>x</sup> Annual Survey, Hope House, Washington, DC; 2008.