

DRAGONS, DUNGEONS, PASSIONS AND PROFITS: THE TALE OF THE RAINBOW BOOK DEN

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ABSTRACT

Inspired by her love for reading and a deep-seated concern for educational and civic advancement within the African-American community, Gloria Davis¹ started a multi-cultural children's bookstore, the Rainbow Book Den¹, in 1992. Through her bookstore Gloria is able to see glimpses of her dream of positively impacting the African-American community become a reality. However, the bookstore's profitability is impacted by the limited economic resources of existing and potential customers in her target market. Gloria's health issues and the demands of serving as caregiver to her elderly parents have also made managing the bookstore difficult. She has had to close the store twice before for personal reasons. Now, she hopes to find a way to make an impact on her community and successfully manage her bookstore.

ENTER THE DRAGONS

"Then I was a manager...for the Department of Defense. After 9-11, immediately that night and the next morning, my life just changed because of what I was working on" Gloria¹ began sharing with her guest, a professor from a nearby liberal arts university. On the morning of September 11, 2001, al-Qaeda terrorists hijacked four domestic U.S. passenger flights. The terrorists flew two flights into towers within the World Trade Center complex. Shortly thereafter, a third plane was crashed into the Pentagon. Passengers on the fourth flight thwarted the hijackers plan to crash in Washington, D.C. instead causing the plane to crash near Shanksville, PA.

She paused briefly, fumbling with papers on her desk before she continued. "From 9-11 on it just got busy on the job, stressful on the job...I was briefing the General every other morning or something...It was just terrible" she shared as she looked off in the distance. The stress took its toll on Gloria. In efforts to cope, she ceased all personal hobbies and tried to transition to another job within the federal government but her manager refused to let her go. Her health began to deteriorate. "[So] I gave them notice in January of '06 that I was leaving" she explained. "I had pretty much already told my parents that... *'If I quit, I*

wouldn't have any money to afford to live down here [in Northern Virginia]. I am moving [back] home [to Philadelphia]'."

The door to Gloria's bookstore was propped open. It was a perfect day in Philadelphia for the end of August. The temperature was in the mid-80s with low humidity and not a cloud in the sky. The gentle breeze blowing through the doorway seemed to carry sounds of the traffic traveling up and down the cobblestoned Germantown Avenue.

Gloria originally started Rainbow Book Den¹, a multi-cultural children's bookstore, in 1992 out of her home in Northern Virginia. She was determined to help other African-Americans achieve academic and professional success and believed the key to doing so involved making an impact on the reading literacy of African-American children. For as long as she could remember, she had a concern for children and a passion for literacy. Even as a young girl she was a voracious reader and would often "teach" the other children on her block during the summer. When she went off to college, she chose her undergraduate alma mater because of its Early Childhood Education program. Although she changed her major during her freshman year, she continued to pursue her passion through volunteerism by tutoring children during college and afterward. However, something began to nag at her.

"So every time I would go to events", she began. "It could be the NAACP or the National Council of Negro Women...or...to a bookstore or something...I was just starting to continue to see the same few books and...I'm sure I've probably heard something about...[African-American] children not reading...[So] I opened a [bookstorebecause] reading is your basis of everything. Maybe if...[African-American] children had the opportunity to see... more choices then they would be more interested in reading. So that was my primary reason for opening the store" she explained.

But when she began experiencing health issues in response to the stress of her job, she sold her inventory to a customer. Around the same time, her parents also began to experience health challenges. Her mother was showing signs of dementia and had fainting spells that were starting to increase in frequency. In 2007, Gloria moved back to Philadelphia and moved her parents in with her so that she could help care for them. She re-opened Rainbow Book

Although the events, places and individuals in this case are real, personal and business names were changed to protect the privacy of the individuals.

Den in Philadelphia in 2008. “Right now, it’s actually more relaxing for me to come into the shop than to leave here and...deal with the rest of life... [Though] I’m definitely behind schedule. I had hoped to have it, you know, running a lot better [by now]” Gloria confided to her guest.

Gloria looked toward the entrance of her store, watching passersby. A man in a motorized wheelchair stopped on the sidewalk in front of the store’s entrance to ask Gloria if she sold one of the city’s daily newspapers. She shook her head “no”. Looking back at her visitor, Gloria continued to share. “[African-Americans] as a community are so behind in everything and education is the main reason that we are behind and reading is the first thing you need in order to even be able to, you know, learn anything. So... we got to get our children reading. They are not going to learn anything if they can’t read. We are not going to be able to, you know, um, move on.”

Given Gloria’s commitment to make a difference, when she re-opened Rainbow Book Den in Philadelphia, she was careful to find a location in a predominately African-American neighborhood that was easily accessible to neighborhood residents as well as those from other areas of the city. Most of Gloria’s customers come from the immediate vicinity. They work hard at their jobs yet many of them struggle to make ends meet. As a result, Gloria’s inventory consists mainly of paperback rather than hardback books. “I have a better chance selling paperbacks than hardbacks ‘cause, um, hardbacks are \$15.99,\$16.99, \$17.99.” she explained.

Most new children’s book titles are released as hardbacks. Hardbacks, though more durable, are also more expensive than paperbacks. Nevertheless, some publishers will release paperback versions of their books a year after the initial release. “See that’s \$4.99 [for paperback] versus \$14.99...So I can get more titles that way[and] offer more of a selection” described Gloria.

Again, she began fumbling with the paperwork on her desk. The look on her face became pensive. She wanted to help others like her in the African-American community to have opportunities like she had. But was her vision to do so through reading literacy too big? How might she bring her vision to fruition through her bookstore, given its low income target market? Were there other creative ways that she might keep costs low while also get the word out about her bookstore? How can she balance these goals for her business with the demands of her personal life?

PASSION FOR CHILDREN AND COMMUNITY

Gloria Davis, now 57 years old, had first left her hometown of Philadelphia in 1972 to attend college in Virginia. Growing up in North Philadelphia, her parents encouraged her and her siblings to excel in school. Like her mother who was an elementary school teacher, Gloria began her undergraduate studies in Early Childhood

education. However, in response to a frustrating experience in one of her classes she changed her major to her second passion – mathematics. After graduating from college she moved to Denver, got married and began working for the State of Colorado. A year later both she and her husband enlisted in the Army and were stationed in Florida. To supplement their military incomes, together they became licensed realtors, purchased several rental properties and started a home-based television repair business. Eventually they closed the repair business and transferred to an Army base in Northern Virginia. Gloria later earned a graduate degree in Management Information Systems and transitioned into working for the federal government as a civilian. Nevertheless, Gloria still had entrepreneurial aspirations. Actually she had ideas for several businesses but one of these ideas, a children’s bookstore, continually tugged at her heart and mind.

In 1992, Gloria founded the Rainbow Book Den as an online children’s bookstore. Two years later, she held the grand opening of her first storefront in Alexandria, Virginia. She and her husband separated from one another on the same day. “He never understood why I wanted to do something that paid so little. You know, a children’s bookstore versus thousands of dollars that you would get from a [real estate] commission. He just couldn’t relate to it” shared Gloria.

Eventually, the emotional hurt from her separation and subsequent divorce made juggling work and managing the store difficult. She tried hiring someone else to manage her bookstore but that individual mishandled business accounts with publishers and other vendors. In 1998, Gloria closed the store and put its inventory in storage, but continued to maintain the store’s business licenses and domain name.

It wasn’t until she retired from the federal government in 2006 that she re-opened Rainbow Book Den. This time she located her bookstore in a small, ethnically diverse town called Occoquan, Virginia. Yet, even after retirement, the stress of her former job continued to detrimentally impact her health. She adopted a vegetarian diet and was taking three medications to try to lower her blood pressure. “[Even so] I ended up going into the hospital for chest pains.They thought I had a heart attack or something... Well anyway I got back out of that and then the following month I went back in the hospital for a different problem... At that point I just said it didn’t make sense that I was down there, going to the hospital and I don’t really have any family down there- everybody’s up here.”

Once again, Gloria closed the Rainbow Book Den.

DRAGON SLAYINGS AND THE CITY OF BROTHERLY LOVE

Located in southeastern Pennsylvania, Philadelphia is the fifth largest city in the U.S. based on population (www.wikipedia.org). Its largest employers are hospitals, universities and major corporations like Comcast, Pfizer

and Vanguard (www.bizjournals). As one of the nation's oldest cities, Philadelphia is home to a number of historic artifacts, landmarks and districts such as The Liberty Bell, Independence Hall and Historic Germantown.

Present-day Germantown exists within an area that William Penn sold to German settlers in the late 1600s. Formerly inhabited primarily by Dutch and German Quakers, now 80.8% of Germantown's residents are African-American. The median age of Germantown residents is 33.5 and the median household income is \$27,436 compared to 35.3 and \$41,994 respectively for the U.S. With respect to education, 73.9% of Germantown residents earned a high school diploma and 21.8% earned a bachelor's degree or higher (www.brainyzip.com).

The Rainbow Book Den is located on the first floor of a 75 year old three story townhome that Gloria purchased. It resides on a block of Germantown Avenue zoned mixed use commercial and flanked by several of the community's historic locations. To its south are the Johnson House, the Upper Burying Ground and the Concord School House. The Johnson House was built in the late 18th century by a wealthy Dutch Quaker family. It was a stop on the Underground Railroad in the 1800s (www.johnsonhouse.org). To the north is the Cliveden Estate, a property that encompasses the Chew House built as a summer home for Benjamin Chew and his family in the late 1700s. The Cliveden Estate was one of the key locations at which President George Washington and his soldiers were defeated by British troops in the Battle of Germantown (www.cliveden.org). Rainbow Book Den, along with the other businesses on the block, has begun to partner with historical societies to encourage more tourism in the area.

Each October, on the first Saturday, the Battle of Germantown is re-enacted at the Cliveden Estate. Gloria's face lit up with excitement. She looked directly at her visitor and declared, "So you will actually have the British troops come, you know, marching up the street here and the canons and everything are up there. They are actually re-enacting the battle and then there will be, of course, other things going on... So I'll always have something out here" she said while pointing toward the front of the store. "You know with patriotic activities and crafts for the children".

THE TALE OF THE ONE AND ONLY

The front façade of the bookstore is covered with periwinkle colored aluminum siding. Displayed in the two windows, whose frames are painted fuchsia, are images of children's books and the hours of operation. The hours shown are Wednesday through Saturday from 11am – 7pm. On the sidewalk below the windows was a large three foot high sign that read CLEARANCE. Next to the sign was a wooden figure that was an outline of a small child that appeared to hold a string tied to a balloon. The balloon bobbed left and right, up and down in the gentle breeze.

Above the windows is a large oval wooden sign. A sketch of a child is painted in the center of the oval. The words Rainbow Book Den surround the sketch. At the oval's bottom is written "multicultural children's bookstore". Two small steps lead from the sidewalk to a small porch. A door on the left is closed. It leads to the upper two levels of the building. The entrance to the bookstore is on the right.

The inside of the store is narrow and somewhat rectangular. Wire shelves packed with books and educational products line the walls. A couple of feet into the store sits a desk surrounded on two sides by a dark red counter that is about four feet high. On top of the counter were various documents including flyers about voter registration. To the right of the desk is a brightly colored children's table and chair set. Several puzzles were laid on top of the children's table. On one wall in the corner near the front window were letters that looked like they had been cut from construction paper using stencils. The letters spelled LOVE TO RE D. The letter A had fallen down from the wall. Beyond the desk, more books and products are displayed on shelving and bookcases. At the back of the room is a door to a small office. Most of the other buildings on the block house businesses on their first levels and one or two apartments on the floors above.

Gloria scanned the store with her eyes. Most of her inventory consists of books and educational products that she brought with her from Virginia. Unfortunately many of her inventory items are a bit too pricey for customers who live in the surrounding community. Occasionally, she will have customers from other parts of the city who can afford to purchase items. "Anything [new] that I bring in... I want to make sure that its affordable for... children [in this area] ... If you were to read up on where the prime location is for a children's bookstore- it should be in a community... where the average, you know, homeowners are college graduates that are middle income and above... [but] those are not the children that I'm trying to reach" expressed Gloria.

The books market is divided into two segments: digital and physical or print books, maps and musical scores. According to Marketline's March 2013 industry profile, "the United States books market grew by 1.8% in 2012 to reach a value of \$25.5 billion" (p. 8). Retailers of music, video, books and stationery represent roughly 40% of the U.S. books market whereas general merchandisers account for almost 18% and supermarket and discounters comprise approximately 11% ("Books in the United States, 2013, 11). The level of competition between book retailers is considered somewhat intense since "books are increasingly bought online rather than in traditional bookshops... This has increased buyer power, as consumers are able to compare retailers on price and stock and there are negligible switching costs" ("Books in the United States, 2013, 13).

"Now everybody sells books!" Gloria lamented. "Your local grocery stores, your drug stores, you know all your Big Boxes" she iterated. "Everybody sells books now... and

then with the online world, Amazon they came in...and they basically give books away...So our competitors are everywhere...so just looking at who's in your, you know, 5 mile area...is not really as important...because you are competing with everybody...Here in Philadelphia there are no other children's bookstores...There was apparently one somewhere here in the city before I moved back...[but] the publishers and distributors...when I say I am in Philadelphia they are like, "Oh, you're the only one."

Gloria is determined to make a difference in her community by focusing on reading literacy as a vehicle for encouraging African-American children to excel academically. She organizes reading drives, hosts book signings by children's book authors and participates in literary festivals. As a member of two trade organizations, the American Book Sellers Association and the American Book Sellers for Children, she receives training and tips on how to run her bookstore. "I get a monthly e-mail with tips on how to do this or how to do that, or this particular book. What you can do with that book. 'Cause I try to keep tips out there because a lot of parents don't know what to do with the book. They just want to stick it in front of the child and they don't do anything else. You know, they think the child will pick something up that way and I tell them, 'You have to sit with your child. You need to talk with the child. Help the child understand or reinforce the story, or expand the story. Just don't give them the book.'"

IN PURSUIT OF HAPPILY EVER AFTER

Gloria's visitor glanced at her cell phone to check the time. Sensing that her visitor would need to leave soon, Gloria began to summarize her circumstances: "[On one hand,] ...my business expenses would go away if I just closed...Because being open is what creates these expenses and I'm not here enough to make sales to cover the expenses [because my parents have been in and out of the hospital. On the other hand], if I can get [the bookstore] to

some point where it can just make its own money then I don't have to be here...I'm trying to figure out how to get the business to make its own money. I had [even] thought about whether I should switch...to a nonprofit because that's more of my thought process. I really just want the children to have books, you know."

"You teach business courses to college students" she reminded her guest. "What would your students suggest that I do?" asked Gloria.

ACKNOWLEDGEMENTS

The author would like to acknowledge Ms. Miranda Cornelison for her editorial assistance. The author is very grateful to Dr. Helen Black and Mrs. Christa Caruso for their willingness to be such kind and excellent mentors.

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NOTE TO INSTRUCTORS

CASE DESCRIPTION

This case presents challenges faced by Gloria Davis, owner of small multi-cultural children's bookstore. Ms. Davis is committed to helping other African-Americans to succeed by encouraging reading literacy among African-American children. She must keep her price points low so that the books and educational products she sells can be affordable to her target market. Low price points make earning a profit difficult. In addition, she opens the store inconsistently as she attempts to care for her elderly parents as well as her own health issues. This case is appropriate for undergraduate business courses such as Introduction to Entrepreneurship/Small Business Management or a course focused on Social Entrepreneurship. It is expected that students will need a minimum of two hours of preparation time to thoroughly read the case along with the supplemental reading(s). With adequate preparation, students should be able to address the issues and concerns of this case within a 50-minute class period. Hence, its difficulty level is set at three.

ABSTRACT

Inspired by her love for reading and a deep-set concern for educational and civic advancement within the African-American community, Gloria Davis started a multi-cultural children's bookstore, the Rainbow Book Den, in 1992. Through her bookstore Gloria is able to see glimpses of her dream of positively impacting the African-American community become reality. However, the bookstore's profitability is impacted by the limited economic resources of existing and potential customers in her target market. Gloria's health issues and the demands of serving as caregiver to her elderly parents have also made managing the bookstore difficult. She's had to close the store twice before for personal reasons. Now, she hopes to find a way to make an impact on her community and successfully manage her bookstore.

KEY ISSUES AND DISCUSSION POINTS

This case presents the following themes that lend themselves to rich classroom discussion:

1. Effective pricing strategies for small businesses.
2. How small businesses develop effective marketing plans using limited budgets.
3. The influence of entrepreneur's values in the marketing and management of his/her small business.
4. The definition of social entrepreneurship and the challenges of successfully operating a small social enterprise in the face of limited resources.
5. The challenges associated with balancing personal life and operating a small business.

LEARNING OBJECTIVES

1. To help students to integrate theory and practice, particularly related to small business management and social entrepreneurship, by comparing and contrasting the real-life issues presented in this case with content from textbooks and other required readings.
2. To help students to develop and refine their critical thinking skills by (a) identifying the central issues of the case, (b) and proposing solutions that address the critical issues while recognizing connections between central and peripheral issues.
3. To provide an opportunity for students to gain insights from the perspectives and experiences of their classmates through class dialogue of the case content and discussion questions.

TARGET AUDIENCES AND COURSES

This teaching case was developed for use in undergraduate courses on entrepreneurship, particularly Introduction to Entrepreneurship/Small Business Management and/or Social Entrepreneurship. It can be used to reinforce to students the challenges of running and managing a social enterprise with limited resources.

SUGGESTED TEACHING APPROACHES

This case can be assigned after students have read the readings suggested below on social entrepreneurship or the instructor has lectured on said topic. In the class period set aside for discussion of this case, the instructor can begin the discussion by encouraging students to identify critical issues set forth in the case. With guidance and input from the instructor the students can then attempt to answer the discussion questions share below.

OUTSIDE OR SUPPLEMENTARY READINGS

- Haugh, H. (2005). A Research Agenda for Social Entrepreneurship. *Social Enterprise Journal*, 1(1): 1-12.
- Martin, R.L. & Osberg, S. (2007). Social Entrepreneurship: The Case for Definition. *Stanford Social Innovation Review*.
- Peredo, A.M. & McLean, M. (2006). Social Entrepreneurship: A Critical Review of the Concept. *Journal of World Business* 41: 56-65.
- Seelos, C. & Mair, J. (2005). Social Entrepreneurship: Creating New Business Models to Serve the Poor. *Business Horizons* 48: 241-246.

DISCUSSION QUESTIONS

1. Martin & Osberg in their 2007 exposition describe social entrepreneurship as encompassing three facets: “(1) identifying a stable but inherently unjust equilibrium that causes the exclusion, marginalization, or suffering of a segment of humanity that lacks the financial means or political clout to achieve any transformative benefit on its own; (2) identifying an opportunity in this unjust equilibrium, developing a social value proposition and bringing to bear inspiration, creativity, direct action, courage and fortitude, thereby challenging the stable state’s hegemony; and (3) forging a new stable equilibrium that releases trapped potential or alleviates the suffering of the targeted group...ensuring a better future for the targeted group and even society at large” (p. 35).
 - a. Describe the “unjust equilibrium” that the bookstore owner seeks to address.
 - b. What is the bookstore’s “social value proposition”?
 - c. In what ways does the bookstore generate a new, more efficient and satisfactory “equilibrium”?

2. Martin & Osberg (2007) purports that social entrepreneurship “is designed to achieve large scale [outcomes], or is so compelling as to launch legions of imitators and replicators” (p. 36). Discuss the merits and drawbacks of the claims of these authors about the impact of social entrepreneurship. Propose a plan for how the bookstore might impact not only the surrounding community but beyond and/or how it might spark widespread advocacy and emphasis on reading literacy.
3. According to Seelos & Mair (2005) social entrepreneurship “creates novel business models, organizational structures, and strategies for brokering between very limited and disparate resources to create social value. It therefore relies on...mustering and mobilizing resources: human, financial & political” (p. 244). Propose a plan for how the bookstore owner might garner resources to lower costs, etc. and connect with the community.
4. Peredo & McLean (2006) argue that social entrepreneurship exists along a continuum in which “a range of ways has been outlined... [whereby] the objective of producing social benefits may figure in the goal-structure of an organization” (p. 63). At one end of this social entrepreneurship spectrum, the creation of social value is the exclusive goal whereas the pursuit of social goals may be the means to generate profits at the opposite end. Explain where you perceive the Rainbow Book Den to be along the social value continuum described in Peredo & McLean (2006) and compare or contrast it with a major retailer such as Barnes & Noble or Amazon.

NOTES

The author collected most of the information presented in this case via multiple interviews of Gloria Davis. Industry-related information on the bookstore industry was gathered from Datamonitor/Marketline. Community-level census and other demographic data were obtained from brainyzip.com. Although the individuals and events described in this case are real, all personal and business names were changed for reasons of privacy.