

EVERYTHING
IN THIS STORE
CAN BE
BROWSED
TOUCHED AND
FELT

EXCEPT FOR
OUR STAFF

MAG EMPIRE

With a store sign that reads: "Everything at Mag Nation can be touched, felt and browsed except for our staff," it's no wonder that this specialist magazine retailer is making its mark in Melbourne

STORY MELISSA YEN

KNOwn FOR ITS range of more than 4,000 mainstream as well as traditionally 'hard to find' niche magazines, Mag Nation's flagship store in Elizabeth Street expanded to a new store in Greville Street, Prahran early in 2008. Recently named Best Young Business in Melbourne for 2008 by Business3000, co-founder Sahil Merchant puts his success down to ignoring common wisdom and breaking all the accepted rules within an industry. While constantly increasing its magazine selection and encouraging customers to browse, Mag Nation effectively differentiates itself from news agencies with its willingness to experiment. As such, the Mag Nation website offers both local and international magazine subscriptions. "For the first time ever, it allows customers to have an enjoyable experience as well as a pragmatic transaction," says Merchant.

In the last two years, approximately 2million people have walked through Mag Nation's doors, however Merchant feels that the website has played a large part in their award win. It proves quite unique in its approach as it features a city made of magazines that users can navigate through, as well as a tongue in cheek 'magdentifier' that takes users through a set of questions to recommend magazines based on their personality profile.

"We are the only bricks and mortar magazine retailer actively cannibalising ourselves through the online channel. Given the quality and quiriness of our website, and the rate of growth we are experiencing, I expect this to become a major part of our business in the future."

PROFILE

NAME: Sahil Merchant

BUSINESS: Mag Nation
88 Elizabeth Street, Melbourne, VIC 3000
www.magnation.com.au

DB: How did your venture come about?

SM: I was a management consultant with McKinsey & Company and wanted to put into practice some of the advice I was dishing out. My business partner, who also happens to be my uncle, was at the time running a small magazine retail business in Auckland. We put our heads together and came up with a business model that we thought would be both scalable and transferrable to Australia, despite the vastly different retail landscape in this country for the magazine category.

DB: What helped you most when trying to get your business off the ground?

SM: After I left the corporate world, I spent the next 12 months trying to raise capital. The problem with retail is that it is capital intensive. We needed upfront funds to pay for a store fit-out, starting stock, and the inevitable losses that come with any start-up, especially one like ours that was looking to introduce a completely new way of looking at an old, traditional industry.

We managed to raise funds from connections I had made while in the corporate world. The deal clincher for potential funders was often a field visit with me to more traditional magazine retailers. Nothing aided me more in detailing my vision than highlighting the differences between what I wanted to create and what the existing channel was delivering for customers.

DB: What are your biggest challenges?

SM: Raising capital for something as un-sexy as magazine retailing was not easy. This was not a funky technology business and, when it comes to retail, everyone thinks they are an expert because they shop. Even sophisticated investors can be bamboozled by businesses they don't fully understand, but retail is tough going.

Adding to the challenge was the product itself. Magazines are considered a saturated commodity. Moreover, there are real concerns that magazines will die with the growth in online content. Obviously, we don't believe this will happen or we wouldn't have gone into this business, but these were all challenges we had to overcome in getting funding.

Another very practical challenge was finding the appropriate premises for the store. We applied for a number of sites that we thought would suit us, but were knocked back by landlords and agents who preferred national brands over an unproven start-up business concept. It ended up being a bit of a catch 22. We needed funding to provide credibility that we could afford CBD rentals, but we needed a CBD premises to facilitate funding from the private investors. Ultimately, we ended up coordinating the two at virtually the same time. I don't know if this was pure luck or providence.

DB: How do you differentiate yourself from competitors?

SM: Surprisingly, our competitors are not the newsagents or the larger book chains which also stock magazines. Mag Nation has many niche publisher relationships that these other retailers are not able to replicate, and a brand that communicates to consumers through innovation, change and a sense of irreverence. For example, we state on our website in the "About Us" section that:

"IT'S ALL ABOUT PEOPLE. GET THE RIGHT TEAM WORKING FOR YOU, AND THEY WILL FIND ALL THE SOLUTIONS"

"All the girls who work at Mag Nation are gorgeous ... all the boys have big schlongs." A number of people have told us that we can't say this. But we do. We don't take ourselves too seriously. We know how to laugh. And yet, our technical capabilities are better than anyone else in the industry. Publishers especially are slowly starting to recognise this.

What makes us unique is that people genuinely enjoy spending time in our physical environment. It's not just about the purchase, nor just the products (many of which you can only find at Mag Nation), but the way people feel when at Mag Nation. The number of times I have heard people say they feel like a kid in a candy shop defies belief. Engendering that feeling keeps people coming back. They have lots of other choices and therefore, it has to be an experience that rates up there with their other lifestyle choices.

DB: What lessons have you learned?

SM: That it's all about people. If you get the right team working for you, they will find all the solutions. We persisted for way too long with some people who were not working out for us, and that delayed our progress.

DB: What do you enjoy most, and least, about being an entrepreneur?

SM: I feel immensely proud that my partner and I have built something from scratch. That feeling of building and the creativity that comes with it is perhaps what I love the most. Undoubtedly, the hardest thing about being an entrepreneur is the hours and the invasion on your family life. I have three young children and I have to constantly remind myself why it is I am working so damn hard.

DB: At what point did you know you had made it as a business owner?

SM: I am hoping that I will get to experience this feeling. It hasn't happened yet. **DB**

REMEMBER...

- Very little works out how you think it will in the beginning. You need to be willing and able to adapt and learn quickly.
- Not everyone is built to be an entrepreneur, just as not everyone is built to be a banker or a doctor. People think it's a sexy and glamorous path but it's unbelievably hard work.
- You really need to feel passionate about your business, because it will consume you and you will resent it unless it evokes your passions.

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