White Paper

The Changing Landscape of Bookstore Services for Colleges and Universities:

A CFO's Guide for Selecting Bookstore Service Providers and Building a Sustainable Bookstore Business in Higher Education

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Introduction

The bookstore services landscape for educational institutions, both public and private, has been radically transformed in the past five years. More and more operations have been outsourced or restructured to resemble businesses in the private sector, yet bookstore operations at the majority of colleges and universities still operate under a model from a time that has come and gone.

The primary reason for a bookstore’s existence—the textbook—has seen many changes, from the delivery method of content (embedded online content and eBook) to the soaring rise of new textbook prices (due in part to the increase of the used textbook and textbook rental markets). Additionally, policy changes, such as the Textbook Affordability Provision of the Higher Education Opportunity Act (HEOA), have demanded increased visibility from institutions aimed at improving textbook affordability for students (e.g., publishing textbooks with ISBNs so students can view required course materials before enrolling in a class). This new transparency is shining a light on the question, "Why are books so expensive?", and what students and the public see might not be pretty.

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Students are increasingly shopping via non-traditional sources (online, used, and rental) to find their course materials at the lowest possible cost. Those students abandoned their local bookstores for much lower pricing off-campus, but what many have traded off is the opportunity to apply financial aid to their textbook purchases. This has had many trickle-down effects, including, 1) potentially costing the neediest students more in the long run (lower book buy-back values, credit card interest, etc.); and, 2) eroding the campus bookstore’s operating margins at a time when all institutions are feeling the pressure of decreased funding and budget cuts.
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Yet, when it comes to the scoping, reviewing, and awarding of bookstore services, it seems that the landscape has not evolved as much as other educational services. Most bookstore operating contracts awarded today are similar in concept and language to the process of 10 years ago. Administrators either negotiate and renew with their existing provider, maintaining the status quo, or prepare an RFP for release and then evaluate with a grading rubric based on a traditional on-ground bookstore services model.

Where does that leave the bookstore and student? The bookstore will continue its downward spiral of decreased revenue by supporting an operating model with high textbook margins so that it can provide sufficient commission return to the institution. And the student will continue to flee to off-campus/online booksellers who (because they don't owe any commission payments to the institution) don't have artificially high markups.

So, how can this cycle be broken? If higher education administrators will consider the list of factors in this paper when evaluating bookstore operators, the institution will win by having students return to the institution-sanctioned bookstore (physical or virtual) to purchase their textbooks and other course materials (digital or physical). This will in turn drive merchandise and other ancillary purchases, thus stabilizing and, in most cases, increasing revenue. Students would be able to purchase reasonably priced textbooks at the institution's bookstore with a variety of options (new, used, rental, or eBook), with the added benefit of applying financial aid to any textbook purchase.

Savvy administrators are recognizing that there is a paradigm shift for bookstore services criterion, evaluation, and contract negotiation. Following are a few things for administrators to consider when specifying, evaluating, and awarding bookstore contracts.

From a business perspective, there have been many changes in the bookstore industry. Traditionally, campus bookstores were self-operated or services were contracted to nationally known bookstore operators that were an extension of their commercial operations. There have been consolidations, spin-offs, bankruptcies, liquidations, and start-ups that higher education administrators had to consider when reviewing bookstore provider options.

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Tips for Contracting for Bookstore Services:

1. **The Bookstore's Actual Service:** Does the provider offer a set of services and features tailored to students, administrators, and faculty that:

   - Provides an intuitive online/web destination
   - Offers competitively low textbook pricing from multiple sources, including new, used, rental, and digital formats
   - Includes a marketplace of 3rd party sellers in which students can use their financial aid, and that helps the institution win back revenue lost to book e-tailers
   - Automatically shows students their required books by specific course and professor, and can be integrated with your SIS
   - Insures payments are registered only after transaction completion and delivery confirmation
   - Offers extended rental periods, including student purchase options
   - Simplifies booklist management with easy methods to add, upload, and edit lists, syllabi, and digital media (audio, video, PowerPoint, etc.)
   - Includes marketing-to-students support such as poster designs and emails
   - Provides admin control of fields like shipping methods, geographic locations, and quality of sellers to improve on-time delivery of the right book before class starts
   - Provides a textbook adoption tool that is both transactional and actionable so that faculty can compare texts across key criteria (such as quality, affordability, and peer ratings), submit adoptions easily, and help schools meet HEOA compliance
   - Includes a history of knowledgeable, low-turnover, and resolution-oriented client and customer support teams that accommodate campus hours and high traffic times, such as term starts

2. **Long Term Contracts:** Can anyone predict what any bookstore will be selling five years from now? With the gradual increase of eBook and online content delivery, physical bookstore space requirements for textbook delivery will decrease. Yet many institutions are signing 5- to 15-year bookstore operations agreements. **Avoid Long Term Contracts**
contracts longer than 5 years; rather, consider 2–3 year contracts so that you have options for repurposing physical space and adopting new content purchase models.

3. **Commissions**: Don’t sign long-term contracts with high commissions to finance bookstore renovations. High commissions mean students will continue to abandon the bookstore and purchase off-campus. Find means other than textbook commissions (such as student usage fees) to fund renovation and capital improvement projects. *Consider commission fees between 0 and 5 percent to retain and increase bookstore volume and lower textbook costs.*

4. **Exclusivity & Online Learning Programs**: Why sign an exclusive contract with a bookstore provider at all? *Consider awarding multiple contracts to keep textbook prices competitive.* Similarly, why have the same contract for both on-ground and online students? Consider commission fees between 0 and 5 percent to retain and increase bookstore volume and lower textbook costs. Most institutions see online enrollment as a way to grow student populations and revenue without attendant physical plant costs (including bookstore costs). An online student may rarely, if ever, go on campus. Doesn’t it make sense to have a bookstore operator with lower margins and commissions who can pass on textbook savings for online students?

5. **Financial Aid**: Does your bookstore operator allow students to apply financial aid and grants towards their purchase of content via any delivery method (new, used, rental, or eBook)? Can real-time financial aid information from your accounting systems be integrated into the bookstore? If not, it is a disservice to students as well as a lost revenue opportunity for the institution.

6. **Supply Chain**: Are textbook purchases limited to the inventory of your local bookstore or the national chain operator’s inventory? Why not have a bookstore that can rapidly deliver content in a variety of options from a national network of 3rd party, best-of-breed content providers? This allows faculty and students to choose the most appropriate delivery formats for them. Buybacks can also be conducted virtually/online, anytime of the year, beyond the traditional on-campus buyback periods. Finally, the days of costly warehouses (that you and your students pay for) are over.
7. **Innovative Technology:** Are faculty dependent upon publisher representatives and/or bookstore personnel to aid in the selection of course materials? Work with bookstore operators who provide self-service textbook adoption tools, open educational resources, and custom course packs to aid in the selection of high quality, low cost content. Is there an option that facilitates “Print on Demand” services for custom course packets? Does the provider secure 100 percent of copyright clearance? What sorts of eReader software capabilities are being offered (e.g., highlighting, annotation, usage tracking)? As your institution prepares for the continual impact of technology on education, it is important to ask about the investments your services provider is making to keep up with key education technology trends. These very innovations are designed to help increase engagement, retention, and learning outcomes, while decreasing learning material costs.

**Conclusion**

These are a few of the points to consider the next time institutions deliberate negotiating contracts with bookstore services operators. The best position to place your institution in is one with a sustainable business model for textbook services. Long-term and exclusive contracts, high commissions, and limited inventory options for financial aid purchases are not good long-term bets.

With some out-of-the-box thinking, everyone involved in the process will prosper. Students will return to the institution-sanctioned bookstore for price, variety, service, and financial aid considerations. And institutions will increase the number of satisfied customers and recapture lost revenue.

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About the Author

Kirk Bodick is Vice President of Sales at Akademos, a leader in online bookstore services, eLearning tools, and cost-saving marketplace solutions for schools and students. Kirk has 20 years of education sales and management experience with companies including Pearson, PLATO Learning, Campus Management, Sun Microsystems, and Apple. He was also an adjunct professor at UNC Charlotte. Kirk holds B.S. and M.S. degrees from the University of Michigan.

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