

# Selecting an online bookstore partner: Key drivers and selection criteria.

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# For many schools, it's time for a change

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*“We used to think it was part of our core function to distribute textbooks to students. But with the rising costs of labor, shipping, and warehouse overhead—not to mention the hundreds of hours spent on order processing, publisher negotiations, and inventory management—we were losing money. In today’s world where every penny matters, that simply wasn’t acceptable. We had to make a change.”*

*“For years we managed our own inventory for our distance learning program. We were constantly either overstocked or understocked. That meant students either weren’t getting the books they needed when they needed them, or we ended up eating the cost of out-of-date editions on our shelves. It was a lose-lose situation.”*

*“Last semester I had four instructors teaching nine sections of the same class on three different campuses. Each instructor was using a different textbook. I don’t even want to tell you how many students got the wrong books when they ordered from an online mass retailer. We need a partner that makes sure each of our students gets the right book and the right edition for each course section.”*

# The growth in educational delivery options and the demand for online textbook ordering boosts online bookstore partnerships.

Across the country, educational programs are increasingly turning to online bookstore partnerships as they evaluate how to meet their core mission of educating students at diverse locations with reduced budgets, downsized staff, and increased demands on management time. Colleges and universities without on-campus bookstores or with students learning from remote campus locations are also looking for accurate, cost-efficient ways to offer students online textbook ordering and fulfillment. Administrators are searching for innovative ways to deliver services while saving time and money.

## Reconciling budget concerns

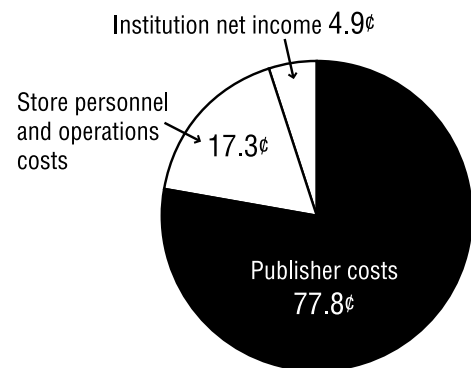
As revenues become increasingly tight, many colleges are facing budget crises. These shortfalls are forcing institutions to raise tuition, make staff cuts, and increase class sizes. In addition, institutions are curtailing non-essential services, especially those which are not generating consistent revenue. As Leo Higdon Jr., President, College of Charleston, states in an article featured in *University Business*, “Universities can lead by focusing on the institution’s mission and the core academic programs necessary to support it. Any programs extraneous to that mission should be re-evaluated for possible elimination or curtailment.” This type of analysis leads academic administrators to evaluate not only educational programs, but all operations related to program delivery.

Historically, many institutions have considered textbook and other course materials procurement and distribution a core function. But many educational programs are turning to partnering arrangements to streamline the fulfillment process and improve the institution’s return on investment.

Textbook sales to students generate little net income. According to the National Association of College Stores’ *College Store Industry Financial Report 2004-2005*, most college bookstores are working on margins of less than five percent. Nearly 78 cents of each dollar goes to the publisher to cover publisher expenses and income, author’s income, and freight.

Over 17 cents goes to personnel and distribution operation costs, including brick and mortar or online bookstore costs. This leaves an average of five cents on the dollar, before taxes, of net income—and that only when the operation is run and managed efficiently.

## New textbook cost breakdown



Escalating costs make it increasingly difficult for institutions to maintain a profitable, or simply break-even, textbook fulfillment operation. Inventory costs alone can tie up enormous cash resources, and the cost of textbooks continues to rise faster than the cost of other books.

In addition to inventory costs, the expenses associated with procurement and distribution can add up fast. Institution administrators must carefully evaluate all costs associated with fulfillment operations, including:

- Development and maintenance of brick and mortar and/or online bookstore
- Student customer service operations
- Direct-to-student delivery to distance-learning or off-campus students, to multiple campuses, or to locations outside the U.S.
- Credit card and check clearing fees
- Warehouse overhead and labor
- Pick, pack, and ship costs for distance education programs
- Inventory costs for all types of course materials: new and used textbooks, workbooks, lab materials, audio and video tapes, and CD-ROMs

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- Inventory carrying costs
- Search, copyright fees, copying charges, and assembly of customized reading packets
- Cost of unused materials which cannot be returned to the publisher or vendor, or expense of returns

Even institutions including the cost of course materials in course fees are feeling the pinch. While fees may be covering textbook and distribution costs, seldom do they cover the full cost of inventory management, customer service, and staffing requirements. The desire to reduce or eliminate these expenses is one of the primary motivations for institutions to use a fulfillment partner. Many of the companies offering online bookstore and course material fulfillment services assume all these overhead costs in their package of services; some even pay commissions on sales. Institutions are able to cut costs, repurpose warehouse space (or eliminate leasing expenses), eliminate inventory overstock risks, and generate a predictable revenue stream.

### Relief from management headaches

In addition to the hard costs associated with online textbook ordering and fulfillment, there are significant management challenges associated with the procurement and distribution of course materials, especially to students in off-campus locations.

- Maintaining course materials inventory to match changing adoption specifications
- Updating continually to online bookstore offerings
- Processing and tracking orders, backorder management
- Monitoring edition updates, ISBN changes
- Hiring and/or training distribution management specialists
- Managing global distribution challenges
- Researching and reproducing articles for instructor custom publishing requests, including the challenging (but necessary) process of obtaining copyright clearances
- Managing student exchanges and returns
- Facilitating publisher negotiations and returns

Often these responsibilities require staff with specialized skills, which can raise labor costs beyond what income from sales can support.

These costs are also hard to forecast. Changing course offerings and adoption selection can result in significant overtime costs, or less time for staff to spend on other core activities.

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Once again, companies providing online bookstore services specialize in these areas. Dedicated personnel and customized systems streamline operations while increasing efficiency and productivity. Institution administration and staff are able to focus on core educational functions while the online bookstore partner provides expertise in all areas of procurement, ordering, and distribution.

Evaluating a partner's expertise in these areas is crucial. However, many institutions are finding that an equally important issue is a prospective company's flexibility to adapt to the institution's operating procedures. Most institutions fare far better when the online bookstore partner conforms to the institution's established procedures, rather than vice versa.

### Meeting changing student expectations and preferences

More and more students are pursuing online options for their education. Eduventures, an independent research firm, reports over one million students were enrolled in 100% online courses in 2005 with projections of enrollment reaching 1.7 million students by 2007. The number of students taking at least one online course topped 2.5 million in 2005. This growth in online education is being driven by the increased demand for higher education combined with a more accessible technology base and technology-savvy students. Colleges and universities are well aware of these trends and now over 85% of colleges and universities offer some kind of distance education program, compared with 62% in 1998. While online materials support some of this coursework, a substantial number of online courses still require students to purchase textbooks or other course materials.

The online trend doesn't stop with course delivery. Even among traditional classroom-based students, while the great majority buy some textbooks from the college bookstore, more than one-fourth purchase textbooks from other sources as well. A survey of college students by the National Association of College Stores found that 24.6% had bought textbooks online. A full 71% of those students indicated they would prefer to buy from a college-sponsored online store rather than from online mass retailers in order to access accurate book list information.

This supports the notion that students are increasingly reliant on the Internet for all aspects of their education, whether for course delivery or materials purchasing. As students turn to online options for course materials, institutions need to proactively provide solutions which meet their needs. Regardless of whether an institution chooses to handle fulfillment internally or work with an online bookstore partner, meeting the needs of students ordering online is a key consideration.

Primary concerns of students making online purchases are:

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- Ease of determining which books are needed for which courses, including variations by section
- Availability of all materials needed for a course, including lab materials, audio or video tapes, workbooks, etc.
- Ease of ordering
- Flexibility of payment options, including direct payments from financial aid sources
- Timely delivery of books
- Reasonable return policies
- Textbook buyback options
- Customer service and support

In addition, the institution and the fulfillment partner need to take a customer-first approach to all student problems to assure high levels of student satisfaction. Because a fulfillment partner is 100% dedicated to the process of textbook and course materials fulfillment, it should be able to excel in customer service.

### Online bookstores are a permanent fixture

*University Business* reports that, “the value and importance of the online campus store has certainly been established. Institutions must offer comprehensive and user-friendly e-bookstore access if they wish to remain competitive.” Whether the online bookstore stands alone serving an institution’s students, or is a sales and marketing tool supporting a bricks-and-mortar campus bookstore, the online store is no longer an emerging trend; rather it is a vital amenity for virtually all institutions.

While some educational programs have established their own online bookstores, the trend has been for increasing numbers of colleges and universities and distance-learning programs to work with online bookstore partners to develop cost-effective, accurate, and easy-to-manage online bookstores. Keeping up with

changing technology, delivering high-end customer services, and meeting the increasingly complex demands of textbook fulfillment takes specialized expertise and a well-trained, highly specialized staff.

### Selecting an online bookstore partner

Responding to the growing demand for online bookstore support, a proliferation of companies has emerged. However, for an institution to benefit from working with an online bookstore partner, the institution must enter into the relationship carefully. Mass retailers such as Amazon, Wal-Mart, and some overseas sources do offer textbooks online, but there is little assurance that students will receive the correct editions, have access to online support materials, or have any buyback options. In addition, mass retailers make no guarantees regarding availability or inventory stocks, and many students find out much too late that their orders will not be filled on a timely basis. And none of the mass retailers provide institutions with commission on orders or income of any kind.

Even when selecting among companies that offer specialized online bookstore partners, institutions must carefully evaluate their options. Customer service responsiveness, guaranteed inventory stocking levels, program customization, and fees and/or commissions are among the most crucial considerations.

Customer service responsiveness applies to students, faculty, and institution administration. Students must have access to customer service representatives who can quickly and accurately answer questions and resolve problems. Students must also be able to depend on accurate, timely delivery and have access to buyback services. Faculty must receive comprehensive textbook adoption support. Institution administrators look for turnkey services—from publisher negotiations, to a comprehensive ordering and fulfillment process, to easy-to-understand tracking and reporting systems.

Often one of the most important factors is the fulfillment partner’s ability and willingness to custom tailor online bookstore services to the institution’s specific needs. Some of the key elements for institutions to consider are whether your online bookstore partner will:

- Create a fully customized online bookstore which enables students to determine which textbook and materials are required for every course and every section.

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- Design your online bookstore to look and feel like an extension of your institution's own website, enhancing your institution brand and culture.
- Help students find classes, select course materials, and place orders.
- Offer payment options and friendly return and buyback programs.
- Guarantee inventory levels.

In addition, institutions should select a partner which will provide a dependable income stream with no hidden costs. Some companies charge fees for startup, order processing, inventory carrying, and other items. Other companies charge no fees whatsoever.

### **Summary**

In order for any institution to realize the overall benefits of partnering with an online bookstore specialist, the institution must be sure to select a company which can provide customized turnkey services, handle a wide assortment of course materials, adapt to the institution's existing procedures, and provide a proven track record of exceptional customer service to both the institution and its students. A careful selection process will boost institutional and student satisfaction for many years to come.