College CFO Survey on Textbook Delivery and Bookstore Services

Presenting outcomes from our survey of CFOs on current bookstore practices and future intentions. Topics covered include online vs. brick-and-mortar bookstores, textbook affordability and its impact on persistence, college bookstore revenue trends, and predictions for the future of textbook sales as part of the college store business model.

Authors:
John Squires, CEO, Akademos
Ingrid Ramos Nakamura, VP of Marketing, Akademos

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Introduction

As an education technology company that provides online bookstore services to schools and their students, Akademos has always had anecdotal information from clients and students regarding the changing landscape for textbook services. We sought to validate the concerns that college chief financial officers (CFOs) had expressed to us about the future of their textbook services given the challenges presented by a vast marketplace of external competition, and the requirements of meeting new digital delivery needs presented by growing online curriculum.

In this, the first comprehensive survey of college CFOs regarding the future of bookstore services, we chose to focus on some critical questions:

- How does the role of the college bookstore need to evolve in order to maintain long-term fiscal sustainability?
- What portion of students are no longer patronizing their school-sanctioned bookstore and why?
- What is the relationship between financial aid and the college bookstore?
- How important is the cost of learning materials to student outcomes such as retention and persistence?
- How can a brick-and-mortar bookstore offer competitive textbook prices while still fulfilling the institution’s mission to provide the highest quality educational experience to its students?
- How do online courses and digital course materials present challenges and opportunities for college bookstores to meet new delivery paradigms?

In the summary that follows, we’ve begun to address many of these questions. We’d like to thank the almost 300 chief business and financial officers who participated in our survey. We hope these findings will prove helpful to college administrators across the country and we’d be delighted to discuss them with you directly.

Sincerely,

John Squires
Chief Executive Officer
Akademos
Executive Summary

In November and December of 2012, Akademos conducted a survey of college and university CFOs that focused primarily on textbook delivery and bookstore practices. It is the most comprehensive survey of its kind.

While there are many stakeholders in the quest for evolving textbook and bookstore services, the college CFO is a key constituent in funding improvements. Given the fast-changing landscape of textbook delivery, including ecommerce trends, digital materials, unstable bookstore revenues, and more, this paper provides an instructive look at what those who control the budget think about the future of textbook delivery.

Respondents to the “2012–2013 CFO Survey on Textbook Delivery and Bookstore Services” consisted primarily of college and university CFOs and VPs of finance who shared information about their current bookstore practices as well as intentions for the future. The topics covered included online vs. brick-and-mortar bookstores, college bookstore revenue trends, and predictions about textbook sales as part of the college store business model.

Key Findings

- 89% of respondents confirmed that students are increasingly turning away from campus-based bookstores in favor of third-party providers, citing, on average, 28% of students are shopping elsewhere.
- Respondents pointed to price as the primary reason students bypass the college bookstore (78%), with students' inclination to purchase online a distant second (12%).
- Survey respondents indicated that on average, 56% of textbook sales are transacted with financial aid.
- Respondents ranked giving students access to high-quality, low-cost textbooks as the most important service institutions can provide regarding the sale of textbooks.
- 88% believe textbook costs impact student retention and persistence.
- 82% indicated that textbook sales have been flat or down over the past three years.
- 18% stated they believe textbooks will be sold exclusively in a school online bookstore, while 80% are of the opinion that their school will utilize both an online and brick-and-mortar store.

Overall, textbook delivery and bookstore services are only now becoming a prominent issue for CFOs, likely due in part to increasing attention to the costs vs. outcomes of higher education from students and their families, accreditation committees, and the government. The question becomes whether the competitive and technical challenges of serving student-needs in an
increasingly online world can be met by the current model, particularly by college bookstores that sell textbooks in a brick-and-mortar environment.

The following report will summarize answers to the CFO survey (including popular responses to the open-ended question, “What are some of the bookstore challenges you face?”), and provide our analysis of the results, along with a Textbook Affordability Test you can administer to review your school’s own textbook delivery practices.

1. The leader in online bookstore + marketplace services for educational institutions.

2. An olive grove outside of ancient Athens named for a Greek war hero. It is the site where Plato founded his famous school of philosophy and is the source of the English word “academy.” Akademos is often thought of as the birthplace of Western philosophy, scientific reason, and some of our most cherished ideas about justice and the free exchange of ideas.
Survey Summary

The bookstore services landscape for educational institutions has been radically transformed in the past five years. From the closing of general bookstore chains such as Borders, to the textbook’s ever-changing form; from new government policies such as the Textbook Affordability Provision of the Higher Education Opportunity Act (HEOA), to an overall movement for increased transparency into course material costs—All of these trends have altered “business as usual” for the college or university bookstore. Further, it appears the retail footprint for book sales is shrinking in the face of competition from online sources, both in the general and college markets. So where does that leave the traditional college bookstore with regard to textbooks?

Primary Role of Bookstore

CFOs overwhelmingly (80% of them) chose providing textbooks as the bookstore's central objective.

Of the following, what do you think is the primary role of the bookstore?

- To provide textbooks and related course materials: 80%
- To provide merchandise and other non-textbook products (e.g., spirit wear): 9%
- Other: 6%
- To act as a central location: 5%
Portion of Bookstore Revenue from Textbooks

On average, 68% of bookstore revenue at respondents’ schools comes from the sale of textbooks.

Textbook Sales Trend Line

83% of respondents indicated textbook sales have been flat or down over the past three years.
Breakdown of Textbook Sales by Type

On average, new books make-up approximately $\frac{1}{2}$ of all textbooks sales at respondents’ schools, used books about $\frac{1}{3}$, and rentals approximately $\frac{1}{10}$, with eBooks and custom course materials each at approximately $\frac{1}{20}$.

Further analysis showed that private, 4-year not-for-profit schools reported the lowest percentage of textbook revenue coming from new books among all school types surveyed. All school types reported similar percentages of revenue from used books. Private, 4-year not-for-profits and public, 4-year schools were more likely to report higher sales from textbook rentals. For-profits and graduate schools were more likely to report a higher percentage of sales from eBooks.

**Approximately what percentage of your textbook sales come from the following:**

- **New books** 52%
- **Used books** 32%
- **Rentals** 14%
- **Custom course materials** 6%
- **eBooks** 4%

*Note. numbers add up to more than 100% due to estimations from reference intervals.*
Textbook Sales Conducted with Financial Aid

On average, 56% of textbook sales are transacted with financial aid at respondents’ schools.

Impact of Textbook Costs on Retention and Persistence

89% indicated textbook costs impact retention and persistence.

How much do you think textbook costs impact retention and persistence/completion?

- Very much: 32%
- Somewhat: 57%
- Not at all: 11%
Student Shopping Outside the School Bookstore

89% confirm that students are turning away from campus-based bookstores, citing, on average, that 28% of students are shopping elsewhere.

Public, 2-year schools reported the highest likelihood that students are shopping outside their bookstore.

Please estimate the percentage of your students who purchase textbooks from OUTSIDE of your bookstore:

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Why are Students Buying Outside the School Bookstore?

79% indicated that price is the primary reason students bypass the college bookstore.

Of the following reasons, which one most represents why those students are going elsewhere?

- Price 79%
- Convenience 4%
- More inclined to purchase online 12%
- Other 6%
Where Will Textbooks Be Sold in Five Years?

18% believe textbooks will be sold exclusively in the school's online bookstore, 80% in both an online and brick-and-mortar store, and 2% only in their brick-and-mortar bookstore.

Most Important Textbook-Related Services

Of the following, what is the most important service schools can provide students regarding the sale of textbooks?

Textbooks services CFOs rated as "very important," in order of importance:

1. Used books — 79% (rated as very important)
2. Rentals — 59%
3. Digital/eBooks — 48%
4. Custom course materials — 31%
5. OERs (Open Educational Resource materials) — 25%
Conclusion

Competition from online, third-party providers is of major concern for the viability of the textbook business at campus bookstores. Students are leaving the school-sanctioned bookstore because of better pricing elsewhere, and this loss of customers is driving schools to more closely examine their textbook affordability, both for business reasons—revenue from textbooks appears to be in decline—and for educational reasons—charging students exorbitant mark-ups on course materials to help fund school initiatives is becoming an increasingly questionable practice in higher education.

Below is a summary of top outcomes and analysis.

Textbook costs impact retention and persistence

The impact of college affordability on student outcomes such as retention, persistence and completion is becoming more evident, particularly in those programs where the cost of textbooks could exceed the cost of the course.

The majority of CFOs (89%) indicated textbooks costs do have some impact on retention and persistence. Given students are reporting that they do not buy all of their required books for a course, and graduation rates are tied to accreditation and other funding, textbook costs are joining tuition and fees as a potential cause of attrition.

Students are shopping outside the school-sanctioned bookstore for textbooks—predominantly choosing third-party, online retailers

Whether you are a college CFO, a faculty member, a student or parent, or just a member of the general public, you likely recognize that students are shopping online in order to find lower cost textbook prices.

Most CFOs (89%) confirmed that students are indeed shopping for textbooks outside of the school bookstore. What percentage of students shopping outside the school bookstore is too much? We think that is, and will continue to be, a central question in bookstore services. If you are a CFO reading this, do you know how many student customers are buying their books at your bookstore and how many are leaving?
CFOs in our survey indicated that on average, 28% of their students are shopping elsewhere. In our experience, the portion of students perceived as shopping outside the bookstore is under-reported. The majority of schools are either not tracking this data, or not analyzing this data in an actionable way. Additionally, one-on-one feedback from school administrators across the country in the last year actually points to the contrary—that less than 30% of students are shopping in the school-sanctioned bookstore for textbooks. This discrepancy is surely a challenge to be reconciled by schools and their bookstore providers.

A follow-up focus group indicated an interest in understanding how many of those students are purchasing the majority of their books at the school bookstore, which it presumed to be a much higher number.

**Cost is the biggest issue chasing students away**

It is likely no surprise that respondents pointed to price as the dominant reason (79%) for students shopping elsewhere, with the belief that students are more inclined to purchase online as a distant second (12%). When you put these together, it confirms an overall trend we have heard from administrators and students alike: *Students are increasingly buying textbooks on third-party websites because they can find better deals there than at the school bookstore.* And, again, it is no surprise that school bookstores are experiencing challenges competing when you consider the costs of running a brick-and-mortar with limited or local inventory vs. an online operation with national inventory.

**Access to high-quality, low-cost textbooks is the most important service schools can provide**

The "most important service schools can provide students regarding the sale of textbooks," as ranked by 53.5% of respondents, is to provide "access to high-quality, low-cost textbooks."

Additionally, in the open-ended answers, textbook affordability was listed as the second most-cited concern about bookstore services (after staying competitive).

**An abundance of used books are the most important resource to the future of schools' bookstores**

When asked to rank resources such as new, used, digital, rental, and OER (Open Educational Resources) in order of importance to the future of the school's bookstore, nearly 80% of respondents ranked used books as number one. It is interesting to note that a majority of CFOs rated both supplying used books and supplying rentals as very important, yet revenue from new books is still outpacing that from both of these categories combined.
Financial aid, designed to assist financially-challenged students, is actually leading them to the most expensive options for textbooks

On average, new books make up approximately half of all textbook sales at respondents' school bookstores. New books are also the students’ most expensive option. If our neediest students buy elsewhere, they are forgoing their aid. But, if they buy at the school bookstore, they are likely spending more than they need to on textbooks. This Catch-22 is contributing to both the rising student debt burden and mounting budgetary pressures on financial aid.

In the face of competition, schools still believe they will be in the business of selling textbooks out of a brick-and-mortar in the coming years

This might be the most surprising outcome of the survey. A majority of CFOs believe that their school will continue to sell books at their brick-and-mortar bookstore. Only 18% of college CFOs believe textbooks will be sold solely online. It is particularly surprising given CFOs recognize that cost is the biggest issue chasing students away, and that financial aid is binding students to shop at stores where costs are less competitive than online alternatives.

How feasible is it for schools to balance textbook pricing for their online bookstore and their brick-and-mortar store, particularly without unnecessarily inflating prices for students?

When the responses were posed to a focus group following the survey, some cited long-term contracts for brick-and-mortar services and the inability to consider alternative options until those contracts expire. The question then becomes, if the bookstore is not competitive in current times, how will long-term contracts affect schools' ability to keep up with changing trends and technologies five or ten years into the future?

Staying competitive is a top business concern

What are CFOs' top concerns in their own words? The open-ended answers revealed a consistent set of issues relating to textbook delivery/college bookstores, but staying competitive was the top cited issue.
Final Remarks from Our CEO

The lessons we take from changes in the trade bookstore business [that sells books to the general public] are certainly worth considering in any view of how college bookstores may evolve. Today’s trade book consumer is fiercely value-conscious, and the brick-and-mortar bookstore business has been revolutionized by the selection, price, and speed of delivery offered by online retailers. Local bookstores that have survived have done so by offering unique services and products that are not readily available from online sellers.

Are college students any less concerned about value? A recent article published by The Chronicle of Higher Education ("Students Get Savvier About Textbook Buying") shows that students are also savvy shoppers. We see little evidence that college bookstores are adapting quickly to this challenge of providing superior value to their students. In fact, the trends we see from examining RFPs and college bookstore contracts suggest the opposite.

Bookstore contracts are too frequently awarded to service providers who promise double-digit commissions to schools, or multi-million dollar capital commitments to rebuild student centers or other campus facilities. Yet, aren't students the ones really paying for these high-cost contract commitments? And what of the corresponding business practices resulting from these agreements that conflict with the mission of higher education?

Here are a few consequences that give us concern:

- Financial aid dollars are tied to use at the college bookstore, so students face the dilemma of using out-of-pocket funds to purchase low-cost books outside the college bookstore, or running up their already high debt burden by overpaying for their course materials in their college bookstore.
- Custom textbooks that offer little incremental value beyond the standard editions are developed in a coordinated effort between publishers, faculty, and bookstore operators. These books are often priced extremely high, and their exclusive availability in the college bookstores thwarts students from renting or purchasing used editions of these textbooks elsewhere.

We think it’s time to focus on how this cycle impacts student outcomes and drives up the cost of education, particularly with regard to attrition. It is estimated that "as many as one in three [students] frequently opt not to purchase required academic materials due to cost" (National Survey of Student Engagement, 2012). We know that for many community college students, the cost of learning materials can be as much as the cost of tuition. How is this cycle burdening schools with unintended costs from poorly prepared and under-performing students who don’t persist to completion?
What Can You Do? Best Practices Bookstore Services Audit

If you wish to further examine the issue of textbook affordability at your school, what can you do? We recommend starting with an audit of your bookstore practices, taking into consideration how the economic model is changing as well as how student preparedness affects overall student academic performance. We have put together a Textbook Affordability Test, located in the appendix of this paper, to assist you with evaluating both the health and the mission of your textbook practices.
About the Authors

**John Squires** is Chief Executive Officer of Akademos. Mr. Squires was previously the founder of Next Issue Media, the digital publishing consortium joined by Conde Nast, Hearst, Meredith, News Corporation and Time Inc., which was brought together to develop publishing solutions for tablet reading devices. Prior to Next Issue Media, Squires served as Executive Vice President at Time Inc. where he was responsible for leading digital operations and overseeing *Time, Fortune, Sports Illustrated, Money,* and *Golf* magazines. Squires holds a BA from the University of Washington and a certificate from the Yale Professional Publishing Program.

**Ingrid Ramos Nakamura** has over 17 years experience in marketing, advertising, and product management, with the last six of those focused on higher education and during a time of innovative digital growth. Currently, she is the Vice President of Marketing for Akademos, a leading provider of online bookstore solutions for educational institutions whose offerings include branded virtual bookstores, free eLearning tools, and textbook marketplaces that rival third-party ecommerce sites. She has previously worked at education technology companies ConnectEdu, EducationDynamics, and GoalQuest. In her roles, Ramos Nakamura focuses on both B2B and B2C outreach, including institutional marketing and sales as well as marketing to students, their families, and alumni. Ramos Nakamura has also worked for Williams-Sonoma corporate with their modern home goods retailer West Elm, and ad agencies FCB and JWT. She earned a BA in English from Boston College and a certificate in Professional Publishing from Stanford University.
About Akademos

Akademos is a leader in online bookstore and marketplace services for educational institutions. We offer virtual bookstore services, eLearning solutions, and an innovative textbook marketplace that rivals third party marketplaces. Our comprehensive supply-chain solution and commitment to responsive personal service help us provide affordable textbooks and digital learning tools for schools and students. Students can choose from new, used, rental, and eBook options while schools can reduce costs and increase operating efficiency. Faculty can search, discover and adopt new texts using the Akademos Textbook Adoption Tool.

Akademos has been involved in improving textbook affordability for over a decade. We started with the idea that students should have a more affordable option for buying course materials—and the web offered a perfect vehicle. Soon enough, schools began to partner with us in order to leverage our educational e-commerce platform. And the fact that we integrate with already-existing course registration, financial aid, SISs, and other technology systems makes the transition an easy decision for most schools. Our prices rival third party sites, and, unlike on the most popular of those sites, students are able to apply financial aid dollars to their textbook purchases. So students pay less for high quality texts, and financial aid dollars are applied to the most affordable books instead of the most expensive.


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Appendix

Audience Description and Methodology

Titles/Roles of Survey Respondents

- 60% of the people who responded identified their titles as CFO or VP of Finance; 12% as Director of Finance; 8% as VP of Administration; and 20% as "Other" (Other breakdown: 10% Business or Controller roles; 6% Bookstore Manager roles; 3% Auxiliary roles, 1% Dean)

School Types

- School types included: 35.2% — Private, not-for-profit 4-year; 29.0% — public 2-year; 23.9% — public 4-year; 4.8% — graduate school; 3.1% — for-profit 4-year; 1% — for-profit 2-year; 0.3% — private, not-for-profit 2-year; 2.7% — "Other"

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### Job Title

- Chief Financial Officer, Chief Business Officer, Chief Fiscal Affairs Officer: 38%
- VP of Finance/Fiscal Affairs or similar: 22%
- Director of Finance or similar: 12%
- VP of Administration or similar: 8%
- Other: 20%

### School Type

- Private, not-for-profit 4 year: 35.2%
- Public 2 year: 29.0%
- Public 4 year: 23.9%
- Graduate school: 4.8%
- For-profit 4 year: 3.1%
- Other: 2.7%
- For-profit 2 year: 1.0%
- Private, not-for-profit 2 year: 0.3%
- Continuing education, non-degree or certificate: 0.0%
Type of Bookstore

Respondents were asked to check all that apply:

- 95.3% — School has a brick-and-mortar bookstore
- 79.5% — School has an online bookstore
- 55.5% — Bookstore is managed by school

Survey Methodology

- Three emails were sent to a list of 4,438 email addresses identified as belonging to CFOs, VPs of Finance or comparable roles at colleges and universities within the U.S.
- The survey was hosted on SurveyMonkey from November 15, 2012 to December 19, 2012
- n = 293
Open-Ended Question Summary

The open-ended answers reveal a consistent set of concerns about college bookstores among CFOs and across schools types. Staying competitive was the top concern, followed by textbook affordability.

Many of the open-ended answers were notably interrelated. For example, competition has driven customers to more affordable options; therefore, brick-and-mortar operations cannot cover their costs, which then moves administrators to consider more efficient, online options. In the end, if students are not satisfied with the school bookstore selection, price, convenience, or method of delivery, satisfaction with the bookstore decreases and/or students cease to shop there ... leaving its purpose for being in a questionable state.

Below is a list of top concerns in order of frequency, as well as portions of the write-in answers:

1. **Staying competitive**
   a. "Competing with other online options such as Amazon."
   b. "Rising cost is contributing to students buying online at other vendors."
   c. "Marketing the value of the on-campus bookstore to students. Students still shop online even though on-campus store is less expensive."

2. **Textbook affordability**
   a. "The ever-increasing costs of books and what we need to do to keep the bookstore viable."
   b. "The high cost of textbooks is our greatest challenge!"
   c. "The ever-increasing cost of textbooks is an ever-increasing impediment to persistence to graduation."

3. **Physical space vs. online space**
   a. "We hope to eliminate our store as we need the space for other purposes; however we will continue to offer merchandise in a store; just not textbooks."
   b. "Change bookstore operation to a destination that students want to use numerous times during the school year, rather than just [as a place to] buy textbooks."
   c. "As our contract with our bookstore vendor comes to an end in the next few years, the question will be whether to maintain a bookstore on campus or not."

4. **Bookstore operating revenue**
   a. "The bookstore is not covering its costs."
   b. "Maintaining a viable financial model while doing all we can to hold down educational costs."
   c. "Maintaining bookstore revenue vs. expense to support other auxiliary services offered to students."
5. **Student satisfaction and customer service**  
a. "Providing the extra services that keep students ‘attached’ to our particular bookstore."

6. **Faculty-related issues**  
a. "Faculty stepping up and realizing that they have work to do to ensure students receive their books in a timely manner."
   b. "Timely submission of adoptions."

7. **Publisher issues**  
a. "Constant new editions of texts when not needed."
   b. "The high cost of textbooks and course materials that are provided by the publishers and the high frequency of new editions. Bookstore margins are small and it's challenging to offer rental and used books due to the high frequency of new editions done by publishers."

8. **Digital texts**  
a. "With today's and future technological advances, the long-term use of textbooks [is] maybe on the way out in the next 10 years, to be replaced by eBooks."
   b. "Determining whether students really want digital books or just hard copy books at a lower price."

9. **Technology**  
a. "Connecting the bookstore with the finance office."
   b. "Fast pace of changes related to consumer buying habits via the use of mobile devices."

10. **Other**  
a. "Ensure the bookstore stays relevant to the mission of the institution."
   b. "Misleading and unethical practices in the marketplace that mislead students in making the best choices."
   c. "I am contracted out to a vendor. The challenges ahead are in my opinion too difficult for a self op, particularly a small self op like us, way too uncertain and challenging for us to face. I feel confident that our vendor will be able to face up to the challenges."
   d. "Managing the changing staff roles in the evolving marketplace."
Call a meeting of your school's Textbook Affordability Committee (Don't have one yet? Probably a good time to start one, however informal). Perhaps this group functions within an overarching College Affordability Committee.

Gather the following for your Textbook Affordability Test summary:

- **Textbook customer loss factor** — Determine the percentage of students who are shopping for the majority of books at the school-sanctioned bookstore (a student survey is the most reliable, but a quick pulse of students, faculty and the bookstore staff is a good start).

- **Cost comparison** — Check if textbook prices at the school-sanctioned bookstore are competitive with online options. Do a quick cost comparison by searching for 5-10 popular textbooks and review prices at third-party vendors vs. the school bookstore. Place them in a simple Excel spreadsheet and calculate the differences.

- **Put a number on it** — Gather key data points and analyze in the framework of textbook affordability:
  - Cost of running the bookstore
  - Portion of revenue from textbooks
  - Breakdown of sales by textbook type (new, used, rental, digital, etc.)
  - Portion of textbook sales conducted with financial aid
  - Margins on textbooks and non-course material products
  - Sales projections for next 1-5 years

- **School mission and philosophy** — Have a real discussion about textbook practices and how they stack up against your school's mission and/or philosophy.

- **Retention and persistence** — Add your retention and/or persistence data. Reach out to any committee that focuses on retention or persistence to discuss how textbook affordability is impacting your students.

- **Digital and OER** — Assign someone (perhaps a dean, provost, or faculty member) to update the team on digital textbooks and the OERs movement with an eye toward high quality, more affordable texts. Ask them to make recommendations. Can the institution keep up with digital technology changes? Can they encourage faculty to, at minimum, check all options for textbooks in their field to confirm the adopted text is the best fit?

Determine (or update) a policy and long-term textbook affordability strategy. Share your results with the school community. Textbook affordability is becoming a highly discussed issue among students, parents, faculty, administrators, the government, the media, and the general public. Any due diligence done by you or your committee should be shared, and hopefully, applauded.

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