

**An Analysis of Self-Operated and Third-Party Business Models  
for the UW Oshkosh Bookstore**

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## Introduction

### **Background**

Since late summer of 2023, UW Oshkosh (UWO) has been engaged in reducing our structural deficit and improving our financial position through the Institutional Realignment Plan (IRP). Phase 1 efforts of IRP were focused on the reduction of personnel expenses through furloughs, retirement incentives, and staff layoffs. Phase 2 of IRP includes strategies such as academic restructuring, reducing our facilities footprint, and examining opportunities for outsourcing services. UWO's self-operated bookstore, University Books & More, currently carries a deficit of over one million dollars and was therefore an area identified to investigate for potential outsourcing as a cost-savings measure. (See Appendix A for the FY24 financials for University Books & More, Corner Convenience Store, and the two operations combined.)

### **Approach**

In Spring of 2024, Vice Chancellor of Finance and Administration Bob Roberts tasked Associate Vice Chancellor of Finance and Administration Bethany Rusch to convene a representative group of faculty, staff, and students to evaluate the finances and service array of the bookstore, including considerations for outsourcing bookstore operations. The Bookstore Business Model Task Group was formed in May of 2024. The task group's charge was to *review the current business model of the bookstore, explore an alternative model, and assess both for financial viability and offered services*. The task group would undertake this charge by *completing a risk/benefit analysis of the current model (self-operated or "self-op") and an alternative model (outsourced/3<sup>rd</sup> party)*. (See Appendix B for the charge, methodology, timeline, and composition of the group.)

The Bookstore Business Model Task Group had an aggressive timeline and met weekly to accomplish their goal. The group's work began with a presentation from UWO's in-house experts, the Director and Asst. Director of University Books & More, who provided a full overview of the operations of the bookstore and Corner Convenience Store (Appendix C). Next, the group learned about the nuances of the textbook industry from the Director of Procurement for UW System (see Appendix D & Appendix E for full information) and the President of the Independent College Bookstore Association (see Appendix F for presentation). Finally, the group conducted interviews (list of questions in Appendix G) with three UW regional comprehensives (Green Bay, Stevens Point, and La Crosse) who had moved from self-op to outsourced bookstores to gain knowledge and perspective from their experiences. Throughout this research process, the group and its members also received informal input on bookstore services from an assortment of campus faculty, staff, and student stakeholders.

Next, our group appointed two leads (Josh Garrison and Sam Looker-Koenigs) to compile our findings into the pair of risk/benefit analyses you will find in the following pages. In addition to considering key factors we had identified early on as critical to our analyses—cost and accessibility for students, faculty impacts, financial viability, facilities—our work expanded

based on what we learned. We created a DRAFT set of mandatory requirements to serve as the beginning point for a potential procurement if university leadership determines outsourcing is the best path forward. (Appendix H). Additionally, we created a modified FY25 budget plan for our current bookstore model (Appendix I) to improve the financial operations. The group also created a financial forecast based on the modified budget which projects eliminating our current bookstore's deficit by FY26 (Appendix J).

### **Summary of Findings**

Persisting with no changes at all to current bookstore operations is not a financially viable path. Therefore, the choice for UWO leadership is ultimately not one between status quo and change but one between a) making our own immediate and long-term changes for cost savings and revenue generation while keeping the bookstore independently operated or b) outsourcing bookstore operations to a third-party chain. While current volatility in the chain bookstore industry makes the exact timeline and financial benefits of outsourcing difficult to predict at this early stage in the process, the trade-off here can likely be summarized as one between a) accepting a bit longer time period before the bookstore is in the black (estimated by end of FY26) but retaining most of our bookstore's high service quality and commitment to mission or b) receiving more immediate financial relief but accepting an inevitable decrease in service and less control over an uncertain future.

We trust that our leadership will carefully consider these findings.

Respectfully submitted on August 9<sup>th</sup>, 2024, by Bethany Rusch on behalf of and with gratitude to the Bookstore Business Model Task Group: Samantha Looker-Koenigs, Josh Garrison, Jill Bangart, Amber Kraus, Thomas Wolf, Nikki Stoll, Alison Casady, Kurt Leibold, Jesse Crain and Jack Marotz.

### **Risk/Benefit Analysis: Self-Operated (Current) Bookstore Model**

The primary risk of maintaining an independent, self-operated bookstore at UW Oshkosh is financial. Currently, the bookstore and associated convenience store carries a combined deficit of over \$1 million, largely because of recent challenges that have strained all of UWO and the entire bookstore industry: COVID-19 and post-pandemic recovery, declining enrollment, and economic factors such as inflation and rising supply chain costs. The bookstore's annual costs have exceeded its revenues since 2020, except for in FY23, when it generated a profit due to federal COVID relief funds. Under the current economic and enrollment climate, the bookstore will likely continue to operate at a loss unless changes are made.

At the same time, there are undeniable benefits to UWO maintaining a self-operated bookstore. University Books & More delivers exemplary service and support to students and faculty and holds the community and mission of UWO among its highest priorities, which would not be true of a bookstore operated by a third-party chain. It is clear from this group's research that keeping our bookstore independently operated is the sole way to preserve anything like its current level of service to university community and mission, yet UWO simply cannot afford for the bookstore to continue operating at a loss. Therefore, rather than exclusively addressing risks and benefits to maintaining the bookstore in its current form, this analysis will also discuss potential compromise strategies for maintaining a leaner self-operated bookstore, mitigating some of the risk while maintaining the bookstore's high level of service and support for students and faculty.

#### **Financial Risks of Current Model**

The financial success of any university bookstore today is dependent on enrollment, consumer behavior, and a host of economic factors including inflation, supply chain disruptions, labor costs, and competitive pressures from online retailers. In our challenging financial climate since 2020, University Books & More expenses have exceeded revenues four out of five years (the 2023 increase in revenue is due to the application of COVID federal relief funds). The below table summarizes this annual trend (not including the accruing deficit).

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Revenue</b>	3,563,753	3,710,895	3,890,780	4,538,297	3,911,076
<b>Expenses</b>	4,241,816	4,058,328	4,610,642	4,356,359	4,071,131
<b>Profit (Loss)</b>	(678,063)	(347,433)	(719,862)	181,937	(160,055)

These yearly losses have accrued, and the bookstore itself currently carries a deficit of nearly \$1.5 million; including the associated convenience store mitigates the deficit to \$1.1 million.

Allowing the bookstore to continue without any adjustments to its current operations would make the continued deficit not just a risk but an inevitable fact.

### **Recommendations to Mitigate Risks**

Given the financial situation of UWO and the bookstore, maintaining a self-operated bookstore at UWO would require developing plans to decrease spending, increase revenue, and pay down the deficit. Developing a full short- and long-term strategic plan for bookstore cost-cutting and revenue generation is beyond the scope and timeline of the current group's work, but we have begun that work here by identifying potential adjustments to current operations and their impact on FY25 and future years. (See Appendix I for the impact of recommended operational changes to FY25 budget and Appendix J for a multi-year projection based on those adjustments.)

The below changes or others like them would compromise some of the benefits of a self-operated model. However, everything compromised here would be compromised as much or more under third-party operations; within the current financial landscape, there is no way, self-operated or third-party, for UWO's bookstore to continue at its exact current level of expansive service and retail offerings, low cost to students, and support for other campus programs. If sufficient savings for UWO's current needs could be realized through the self-operated bookstore making operational adjustments, though, UWO would preserve important control over the bookstore's choices, priorities, and contributions for the longer term. These changes could potentially bring the bookstore into the black by FY26.

### **Immediate options to increase revenue and decrease expenses:**

- Increase margins 5-6% (approximately \$100,000 in additional revenue per year)
- Add 6 more sale weeks per year (each sale week typically generates \$50-80k, for a combined \$300-400k per year)
- Double the Instant Access digital course materials program for Fall 2024 (\$143k additional revenue)
- Fold bookstore accounting into central campus procedures and eliminate Accountant I position (savings of 1.0 FTE)
- Reduce hours of operation and student staff (\$30,000 in student labor savings)
- Reduce resale materials by 13% (savings of \$350k in expenses)
- Suspend sponsorships of Athletics and Titan Thunder (\$30k in expense savings per year)

(See Appendix I for an updated FY25 bookstore budget plan including the above changes.)

### **Future possibilities to further balance budget and maintain fiscal sustainability:**

#### ***Inventory:***

- Continue further transitioning to Instant Access (IA) digital course materials to reduce inventory and overstocked items.

- Reduce retail inventory for non-course materials.
- Develop a new inventory model with less UWO imprinted apparel and giftware and more “boutique” items (gift items, everyday use items, games, art kits, etc.). A less specialized UWO-imprinted inventory could help reach a larger demographic and drive sales in new areas.
- Increase drop-ship/made-to-order partnerships with vendors to eliminate the need to purchase and carry physical inventory, providing a commission for each item sold.
- Create the capacity to produce customizable, one-off goods for individuals, student groups, and campus organizations. (Example: UW Whitewater’s bookstore has a screen printer and can respond to unique customer requests. Turnaround times are quick, and the business generates revenue.)

### **Organization and facilities:**

- Merge Copy This and Document Services into one unit under the management of the bookstore to generate a secondary source of revenue and increase margins on course materials (lab manuals, etc.). This could allow UWO to:
  - Keep copy/document services in house. As noted in the third-party risk/benefit analysis, a third-party chain could choose not to continue the bookstore’s current partnership with Document Services.
  - Draw business for document services from the larger community.
  - Optimize physical space by, as course materials become increasingly digital, repurposing the downstairs bookstore space to house copy and document services.
  - Follow an increasing trend across the country of self-operated bookstores bringing university print services under their management.
- Remodel the front end of the bookstore, now 25 years old, to better serve customers and optimize labor. While initial investment would be required, a remodel could open up multiple avenues for longer-term savings and efficiency, such as by removing the wall between the bookstore and convenience store to create a single customer space that would eliminate the need for staff in two separate locations. Adding self-checkouts could enable further reductions in student labor.

### **Broader vision and strategy:**

- Increase oversight, collaboration, guidance, and support from UWO administration, especially Finance and Administration.
- Begin producing an annual report to highlight the bookstore’s work, generate more awareness of the services it offers, and improve communication between the bookstore and financial and administrative services.
- Develop a “UWO bookstore first” culture in partnership with purchasing and internal communications, encouraging departments, units, and student organizations to make the bookstore their primary vendor for goods (approved vendor status).

## **Benefits of Self-Operated Model**

If it is possible to sufficiently mitigate risks, we could maintain many valuable benefits to UWO's current self-operated bookstore model.

**Stability and control:** While the university bookstore industry, dominated by Follett and Barnes & Noble, is in flux and the future of these companies is uncertain, a self-operated bookstore's operational decisions remain with UWO.

**Personnel connectedness:** Employees of University Books & More are integrated and connected with UWO and the campus community; their interests and motivations align with UWO needs, not corporate headquarters. Faculty and staff who spoke with this group emphasized the clear joy bookstore employees take in their connection to students, such as through their presence at Commencement ceremonies with spare tassels and other emergency assistance.

**Flexibility:** An independent store is nimble and can respond more effectively to the needs of the campus community. For instance, the self-operated bookstore can accommodate last-minute course material adoptions (sometimes unavoidable as fluctuating enrollments require late staffing changes) without risking students' ability to purchase these materials with Federal Student Aid, whereas chain bookstores often operate with strict cutoff dates for charging books and supplies to financial aid and student accounts.

**Faculty service:** Instructors have more options with an independent bookstore, can freely select course materials, and receive reliable, hands-on service with quick response times. Dedicated staff work hard to locate and procure hard-to-find course materials, such as out-of-print books. Multiple faculty and academic staff members submitted letters of support (available upon request) and reported to this group their profound satisfaction with the staff's willingness to go the extra mile for their unique needs, allowing them to customize their ideal curriculum and save their students money.

**Student cost savings:** A self-operated bookstore prioritizes savings to students over its own profits whenever possible. Ours is particularly strong in the areas of used books, textbook buyback, and Instant Access. We are currently, according to used book vendor MBS, among the most successful in the country in textbook buyback. In the 2023 Independent College Stores Report & Financial Survey, UW Oshkosh ranked #1 across all 88 competing schools for number of used book units sold, beating out other schools with FTEs up to 97,000. The student representatives we spoke with for this work cited used books and buyback as one of their two top priorities for us to consider in planning the bookstore's future.

Instant Access is the least expensive and most convenient way for students to buy course materials, and keeping it independently operated allows University Books & More to plan further growth for the program while maintaining a priority on student savings. For the Fall 2024 semester, the bookstore is increasing participating sections from 73 in Spring 2024 to



151, nearly tripling the program's dollar value and student savings. For the digital course materials being distributed through this program, the bookstore used to earn only a 10% margin on selling printed scratch-off access codes. With this program, margins can be nearly doubled at 18.95% for Fall semester, while also increasing student savings. For Fall, students will save an estimated \$104,660, averaging a 16% discount off the publisher list price, with even greater savings when compared to traditional print materials. This program can continue to grow, benefiting both the bookstore's profits and student savings, while also reducing excess inventory costs by billing only for sold items.

**Integrated electronic systems:** Since bookstore systems work within UWO's systems, student account charges and Instant Access are automated and operate smoothly, which is not necessarily the case with third-party models.

**Campus Convenience Store:** The convenience store is not a highly profitable piece of bookstore operations, and we are certain from our research that no third-party chain would agree to take over its operations in its current form; our options would be only to close it entirely or to move a very small subset of its selection into the bookstore itself. The convenience store, despite its lack of value to corporate profits, is deeply valued by UWO students; the students this group spoke with cited it as the second of their two top priorities for us to consider in future bookstore operations. The convenience store offers vital access to food and personal care needs for a campus population with limited access to grocery stores.

**Personalized service to the campus community:** The hands-on, personalized service model of a self-operated bookstore provides UWO with services that a third party will not offer, such as a stadium shop, convenience store, and pop-up events, fostering a greater connection to the community and offering more opportunities for customizable goods and revenue generation. Third-party chain bookstores typically provide minimal service outside of the standard bookstore location and hours in order to keep labor costs as low as possible.

**Student employment opportunities:** University Books & More is a leading on-campus student employer, and students and staff praise the positive mentoring environment provided for bookstore employees. While student employment in itself is not exclusive to independent operations, a move to third-party operations typically brings a significant decrease in available student positions as labor is downsized to maximize profits.

**Community connections:** The self-operated bookstore connects with community artists, alumni-owned businesses, and local businesses, and supports a local/campus author section.

### **Risk/Benefit Analysis: Third-Party Bookstore Business Model**

Outsourcing UW Oshkosh's bookstore operations to a third-party chain carries both cultural and financial risks. The clearest and most certain risks are cultural ones, impacting our current bookstore's exemplary commitment to student experience and access and to university mission. Based on extensive conversations with UW peer institutions that have outsourced their bookstores, outsourcing seems almost certain to result in a less responsive bookstore with inferior service. Connections between the bookstore and students and faculty would be weakened, and a third-party vendors' priorities would align more with their own corporate interests than with UWO's.

Moving to a third-party business model carries a single and undeniable benefit: saving UW Oshkosh money in the immediate future by cutting most of the cash outlay needed for bookstore inventory and personnel. However, that benefit would exist in the context of other realities of UWO's current moment, particularly our extremely lean staffing following IRP Phase 1 and the unprecedented workload Finance & Administration staff already face due to the demands of the Administrative Transformation Project and academic restructuring. In this context, many of the ideal conditions for third-party outsourcing do not exist, such as the ability to fold all additional duties created by outsourcing into existing workloads of current staff and the ability to follow an aggressive enough outsourcing timeline to guarantee savings notably sooner than could be achieved through changes to our self-operated model. Additionally, given the uncertainty of the textbook market and other economic factors, financial benefits are less certain in the long term. Outsourcing to a third party means ceding significant control over the bookstore's future, which could itself be a financial risk during this time of upheaval and uncertainty in both higher education and textbook publishing/sales.

#### **Financial Risks and Uncertainties**

**Industry uncertainty:** Given declining enrollments and the growing use of digital and open-source course materials, the textbook industry is far less profitable than it once was and will only continue to decrease in profitability for third-party vendors. The same market factors that are hurting University Books & More are hurting retail chain stores, and those chain stores' responses will prioritize protecting their profits—which can easily mean sacrificing the well-being of their university partners, as was clear when, for example, Barnes & Noble unilaterally shut off all service to UW Stevens Point during the height of COVID.

The list of college bookstore companies is down to two, Barnes & Noble and Follett, both of which are struggling to keep their operations profitable. It was recently identified by UW System Procurement Office that the UW System schools under contract with Follett were experiencing delinquent commission payments. Follett indicated that their delinquency was due to industry-wide issues, including a lack of rebound from COVID, a decline in traditional course materials and the rise in Instant Access programs. Follett shared with UW System

partners that they are working to right-size their business and improve their liquidity, and assured UW of full payment of outstanding commission payments by the end of August. Follett will likely be renegotiating their contracts at UW System schools, with some contracts at risk for termination. Overall, available information tells us to expect the following:

- Any contract we would receive from a third-party vendor in the future would come nowhere near the revenue and commissions promised by other UW schools' existing chain-store contracts, issued at a time when sales and enrollments were better, COVID had not yet happened, and Barnes & Noble and Follett were eager to undercut each other to secure new contracts. Even some of the numbers projected in these contracts (see Appendix D) have not materialized in reality.
- Given ongoing loss of profits, one of these chains could pull out of the bookstore market or go out of business altogether.
- Bookstore chains will likely require increasing corporate consolidation to stay viable, which will leave UW Oshkosh with even less say in operations than UW schools have experienced previously, likely leading to an even greater decrease in quality of service.

**Cost of returning to self-op:** Jon Bibo, CEO of the Independent College Bookstore Association, reports a growing trend of universities that outsourced to third parties choosing to return to independent operations. And indeed, all three of the UW school bookstore colleagues we spoke with indicated that, due to the combination of decreased service quality and financial underperformance they have experienced with third parties, they would ideally prefer to return to a self-operated model in the future. However, since all university-held inventory is sold off when retail chains take over, returning to independent operations involves the extreme financial burden of buying an entire inventory to start back up with. This is a burden UW Oshkosh could easily find itself stuck with in the future, not necessarily even by our own choosing.

**Risk to other UWO programs and offices:** The bookstore is a significant contributor to the UWO campus economy. Other UW schools with third-party bookstores have made very clear to us that their bookstores, focused on maximizing profits, do not maintain previous bookstore commitments to collaborate with other university programs and offices. A move to third-party operations would therefore mean the loss of significant sponsorships and assistance for Athletics, Titan Thunder, Residence Life, and many other campus units. It would place Document Services, of which University Books & More is the largest customer, at risk. Further, the practice of maintaining minimal staffing common to chain stores would mean the bookstore would provide far fewer student worker jobs than it does now. While retaining the self-op model would likely require some changes to operations that would also lose or decrease some of the bookstore's contributions to campus economy, UW Oshkosh would maintain control in deciding which elements to prioritize, and there might be an option to revive paused elements later under better financial circumstances; with a third-party operator, these contributions would be simply gone.

**Continued or additional labor and facilities costs:** While outsourcing would save us a great deal of short-term money, there are still costs that switching to a third-party model would not eliminate or would even create; certain facilities and labor expenses will persist regardless of who operates the bookstore. These costs are therefore not a risk of the third-party model specifically, but we believe they merit a mention here because disregarding them poses a risk to our ability to accurately assess the advantages of a third-party model.

Campus facilities and operations costs will persist, so the rest of campus will need to absorb the bookstore's approximately \$115,000 in yearly shared services payments for auxiliary support services, common systems, etc. A third-party chain would likely not take over the Campus Convenience Store, so that would need a separate operations budget if UWO wanted to keep it running. (The convenience store's loss would mean a significant risk to students' access to food and supplies; student representatives indicated to this group that the convenience store is vital to our campus and that they would ask us to keep its preservation as a top priority in this work.) The future bookstore is also unlikely to need the full size of its current space as more materials move digital (and third-party operations would almost certainly decrease in-store inventory, creating even more unused space), which will create costs for moving the bookstore or remodeling or closing its space.

On the labor side, IT labor will be required to create and maintain connections between UWO's systems (e.g., student financial aid, TitanWeb, Canvas) and a third-party vendor's systems. Labor will also be needed to coordinate licensing of the UW Oshkosh brand (art approval, vendor contracts, royalty tracking/receiving, etc.); in the absence of the bookstore, this labor will need to be offloaded to another campus office such as Athletics or to our third-party partner, which would likely work with a big licensing corporation that would drive prices up on university merchandise. Finally, a UWO staff member will need to act as bookstore liaison between UWO and the third-party chain, a role that other UW schools tell us takes up between 10 and 30 percent of someone's FTE (and the higher end of this range seems to be increasingly necessary as chains consolidate into cookie-cutter corporate models in which university priorities are not preserved without sustained advocacy). In the wake of IRP Phase 1, it will be challenging to find staff with capacity for these additional duties. Both a revised self-op model and a third-party model are likely to require significant additional work from Finance & Administration, but the work for implementing changes to the self-op would be more manageable as it is more at an administrative oversight level.

### **Risks to Educational Mission and Student Satisfaction and Retention**

In the words of Jon Bibo, "Chains are corporate profit-driven, not institutional mission-driven." A common theme among what this group learned from both Bibo and multiple UW schools with third-party bookstores was that chain-operated stores maximize their profits by minimizing staffing and using a standard cookie-cutter business model from which a school can request very little deviation. As Bibo explained, losing an independently-operated bookstore means losing a whole host of benefits to institutional mission and values, from student satisfaction and retention to faculty academic freedom. As one UW colleague we

spoke to summed up their bookstore's experience with outsourcing, "I have seen us at A+ level; this is a C."

**Risks to student accessibility:** As corporate profits are prioritized, students' budgets and access will become a lower priority. As a result, we will likely see:

- A decline in used book offerings and textbook buyback, currently a particular strength of our bookstore, as described in the self-operated model analysis.
- Decreased interest in keeping costs low for students. University Books & More staff devote significant energy to providing an array of options that will help students access the materials they need. They also allow faculty to adopt old editions of a textbook and pass along market-based pricing to students, which third-party chains do not do.
- Access and billing complications with inclusive access (the program referred to as Instant Access on our campus). With our integrated IT systems, there are smooth automated connections among PeopleSoft, Watchman Payment Systems, and Canvas to ensure quick access to materials, and immediate refunds when applicable. Based on interviews with other UW schools, coordinating this process with a third party's systems involves manual uploading/downloading of spreadsheets, and there are often delays in access and errors in rounding and reconciliation of charges.
- Increase in shipping time and fees for students ordering materials online.

**Risks to faculty course materials:**

- Faculty will have far less power to control textbook prices for their students. For example, an instructor may currently choose to assign the previous edition of a textbook, allowing students to purchase it from the bookstore at the much lower market rate; Follett and Barnes and Noble charge full list price for old editions. Faculty may also ask for priority for used books and other lower-cost options that are in many cases not available from a larger company for which it would mean lower sales revenue or more labor to acquire books.
- Faculty with unique curricular needs (e.g., an out-of-print book) will need to change their curriculum in the absence of bookstore staff dedicated to in-depth problem solving.
- Minimal staffing and shared service models will mean that our faculty's course material contact at the third-party vendor will likely also serve multiple other schools in the area. This will mean delayed response times for course/staffing changes and faculty questions, and a general lessening of loyalty to our faculty's needs.

**Risks to service array:** Based on what other third-party-operated stores are seeing in the UW System and beyond, the following decreases and losses are likely:

- The bookstore would likely shorten its hours.

- Our Campus Convenience Store in its current state and location could not exist unless we wanted to retain its operations ourselves. Third party vendors would not operate at that scale and would only provide a small selection of snacks and health and beauty products within the bookstore, which would have more limited hours than the convenience store. (When our student interviewees urged us to prioritize the convenience store, they emphasized that it gives them the ability to efficiently access immediate needs, such as cold medicine or menstrual hygiene products, at off hours.)
- The bookstore would be unlikely to invest in sufficient supplemental staff during high-volume periods, leading to long lines, discouraged students, and lost sales.
- The bookstore may no longer run the stadium shop, leading to decreased sales and quality of experience.
- The bookstore may no longer have staff present at commencement to assist with attire problems, or present at book events to sell books.
- The bookstore would be unlikely to continue its current specialized service to smaller groups; the loss of in-store merchandise catering to LGBTQ groups, veterans, people requiring extended sizes, etc. would hurt both sales and sense of belonging.
- Overall, the variety of products available in-store would likely decrease in favor of online special ordering that doesn't benefit from foot traffic or contribute to a positive sense of community and culture for bookstore visitors.

### **Recommendations to Mitigate Risks**

The biggest risk here, the uncertainty of the bookstore industry, is ultimately not possible to mitigate. Outsourcing to a third party would shield us from some of the volatility, but it would make us more vulnerable to it in other ways. For example, we would not have control over how to respond to unexpected circumstances such as what occurred during COVID shutdowns, and we could even find ourselves unexpectedly needing to shoulder the significant cost of returning to independent operations.

Some of the risks to students and mission could be mitigated by strong advocacy from the staff member acting as liaison between UW Oshkosh and the third-party bookstore chain. This would require investment of a significant portion of someone's FTE; as the liaison for one of our sister UW institutions explained, any request that prioritizes the needs of students over profits (e.g., keeping refund periods aligned with the university schedule) tends to be met with resistance. This liaison also emphasized that, since their partner Follett's recent corporate merger, it has been increasingly even more of a struggle to get any of the university's unique needs met by Follett.

Risks could also be mitigated by detailing non-negotiable priorities and expectations in our RFP when we go out for third-party bids. Appendix H lists what this group views as requirements for a third-party bookstore partner in order to maintain service even moderately comparable to what the campus receives currently. Based on the experiences of the other schools we spoke with, we do not believe that we could truly require this entire list,

since we would not expect any vendor to meet every requirement listed. Even if all of the listed requirements were somehow met, this list is missing much of what distinguishes the level of service that University Books & More provides this campus currently.

### **Benefits of Third-Party Model**

Benefits of outsourcing to a third party are exclusively financial. Currently, UW Oshkosh spends approximately \$3.5 million annually on employee salary, inventory purchasing, IT maintenance, licensing, and related costs of running University Books & More. Outsourcing to a third party would mean avoidance of much of this cost, though exact numbers would depend on specific decisions such as how much FTE is devoted to a bookstore liaison role and whether licensing is taken over by another UWO unit or by the third-party vendor. In some cases, such as the outsourcing of licensing to the vendor, decisions prioritizing savings on the UW Oshkosh side would directly cause increased costs for students and other bookstore customers.

In the hypothetical event that the third-party vendor were willing to take over running the convenience store, that would add approximately \$450,000 to the above possible cost avoidance. However, based on all evidence from other UW schools and nationally, this is not something chain bookstore vendors are interested in doing, so our choice would likely be between continuing to spend this money running the Convenience Store ourselves or closing an acutely needed service for students.

As mentioned in financial risks, we are unsure what we should expect commissions from third-party sales to be, given that the comparable examples we have are in contracts created under much better industry circumstances. An estimate for our yearly commissions would be approximately \$150,000.

UW Oshkosh could potentially ask for a third-party partner to contribute to capital maintenance and remodel costs, such as the possible remodeling of space to downsize inventory, as requirements listed in our RFP, though we are uncertain of the likelihood that any vendor would meet these requirements.

The single driver to moving UWO to a third-party operated bookstore would be financial; across the board, both in the UW System and nationally, moving from independent operations to third-party operations decreases schools' satisfaction with the quality of bookstore service.

**Appendix A**

## FY24 Year-End Actuals for Bookstore, Convenience Store, and Combined Operations

Business Unit: UWOSH

**Fiscal Year: 2024**

Funds: 128

**University Bookstore**

Period: 1 (Jul) - 13 (Close)

Account	Budget	Actuals	Variance
<b>REVENUE</b>			
Total Revenue & Sales Credits			
-Revenue (Non Sales Credit)			
--Other Revenue	4,654,000.00	3,919,540.41	(734,459.59)
--Transfers	(37,466.00)	(8,463.77)	29,002.23
<b>TOTAL</b>	<b>4,616,534.00</b>	<b>3,911,076.64</b>	<b>(705,457.36)</b>
<b>EXPENSES</b>			
Expenses			
-Salary Permanent			
--Unclassified Salary	150,457.00	147,925.57	2,531.43
--Classified Salary	358,065.00	263,714.56	94,350.44
-LTE/Student			-
--LTE Salary	25,000.00	7,878.45	17,121.55
--Student Salary	111,000.00	122,530.66	(11,530.66)
-Fringe Benefits			-
--Fringes Benefits	260,851.00	238,983.51	21,867.49
-Supplies & Expense			-
--Supplies & Expense	3,538,019.99	3,290,098.46	247,921.53
-SpecPurpose/DebtService			-
--SpecPurpose/DebtService	8,919.00	-	8,919.00
<b>TOTAL</b>	<b>4,452,311.99</b>	<b>4,071,131.21</b>	<b>381,180.78</b>
	<b>Current Year Operating Net</b>	<b>(160,054.57)</b>	
	<b>Add Prior Year Cash Balance</b>	<b>(1,293,247.09)</b>	
	<b>Sub-Total</b>	<b>(1,453,301.66)</b>	



Business Unit: UWOSH

**Fiscal Year: 2024**

Funds: 128

**CORNER CONVENIENCE STORE**

Period: 1 (Jul) - 13 (Close)

Account	Budget	Actuals	Variance
<b>REVENUE</b>			
Total Revenue & Sales Credits			
-Revenue (Non Sales Credit)			
--Other Revenue	314,500.00	229,992.25	(84,507.75)
Transfers			
<b>TOTAL</b>	<b>314,500.00</b>	<b>229,992.25</b>	<b>(84,507.75)</b>
<b>EXPENSES</b>			
<b>Expenses</b>			
-Salary Permanent			
Unclassified Salary			
--Classified Salary	23,580.00	23,581.94	(1.94)
-LTE/Student			
LTE Salary			
--Student Salary	70,000.00	54,846.74	15,153.26
-Fringe Benefits			
--Fringes Benefits	10,993.00	10,439.05	553.95
-Supplies & Expense			
--Supplies & Expense	11,800.00	332,442.32	(320,642.32)
-SpecPurpose/DebtService			
--SpecPurpose/DebtService			
<b>TOTAL</b>	<b>116,373.00</b>	<b>421,310.05</b>	<b>(304,937.05)</b>
<b>Current Year Operating Net</b>		<b>(191,317.80)</b>	
<b>Add Prior Year Cash Balance</b>		<b>529,720.64</b>	
<b>Sub-Total</b>		<b>338,402.84</b>	

Business Unit: UWOSH

**Fiscal Year: 2024**

Funds: 128

**University Bookstore & Corner Convenience Store (Combined)**

Period: 1 (Jul) - 13 (Close)

Account	Budget	Actuals	Variance
<b>REVENUE</b>			
Total Revenue & Sales Credits			
-Revenue (Non Sales Credit)			
--Other Revenue	4,968,500.00	4,149,532.66	(818,967.34)
--Transfers	(37,466.00)	(8,463.77)	29,002.23
<b>TOTAL</b>	<b>4,931,034.00</b>	<b>4,141,068.89</b>	<b>(789,965.11)</b>
<b>EXPENSES</b>			
Expenses	-	-	-
-Salary Permanent	-	-	-
--Unclassified Salary	150,457.00	147,925.57	2,531.43
--Classified Salary	381,645.00	287,296.50	94,348.50
-LTE/Student	-	-	-
--LTE Salary	25,000.00	7,878.45	17,121.55
--Student Salary	181,000.00	177,377.40	3,622.60
-Fringe Benefits	-	-	-
--Fringes Benefits	271,844.00	249,422.56	22,421.44
-Supplies & Expense	-	-	-
--Supplies & Expense	3,549,819.99	3,622,540.78	(72,720.79)
-SpecPurpose/DebtService	-	-	-
--SpecPurpose/DebtService	8,919.00	-	8,919.00
<b>TOTAL</b>	<b>4,568,684.99</b>	<b>4,492,441.26</b>	<b>76,243.73</b>
	<b>Current Year Operating Net</b>	<b>(351,372.37)</b>	
	<b>Add Prior Year Cash Balance</b>	<b>(763,526.45)</b>	
	<b>Sub-Total</b>	<b>(1,114,898.82)</b>	

## **Appendix B**

### Bookstore Business Model Task Group: Charge, Methodology, Timeline & Composition

#### Charge:

To review the current business model of the bookstore, explore an alternative business model, and assess both for financial viability and offered services.

#### Methodology:

Provide a risk/benefit analysis of the current model (self-op) and an alternative model (3<sup>rd</sup> party).

#### Timeline:

*Kick off the week of May 27<sup>th</sup> and conclude by August 1<sup>st</sup>*

- Approach:
  - Initial meeting to share financial and service overview of current bookstore, presentation from an industry expert, and outline of subgroup work.
  - Divide into subgroups
    - *Risk/benefit of self-op service model* (include: cost and accessibility for students, faculty impacts, financial viability, facilities, etc.).
      - Virtual or on-site visit to UW-Whitewater, also a self-op.
    - *Risk/benefit of 3<sup>rd</sup> party service model* (include: cost and accessibility for students, faculty impacts, financial viability, facilities, etc.)
      - Virtual or on-site visit to UW-Green Bay (Follett), UW-La Crosse (Follett), and UW-Stevens Point (Barnes & Noble).
- Frequency/Time Commitment:
  - Weekly meetings with full group to report findings, weekly meetings with subgroup to accomplish tasks, and approximately 1-2 hours of weekly work for each member outside of meetings.

*Finalize risk/benefit analysis by August 1<sup>st</sup>*

- Share findings with Vice Chancellor Roberts.

#### Task Group Composition:

Bethany Rusch, Finance & Admin (Task Group Convener)

Samantha Looker-Koenigs, Faculty/Dept. Chair (Sub-group Lead)

Josh Garrison, Academic Affairs (Sub-group Lead)

Jill Bangart, Student Affairs

Amber Kraus, Budget & Planning

Thomas Wolf, Bookstore

Nikki Stoll, Bookstore

Alison Casady, Financial Aid

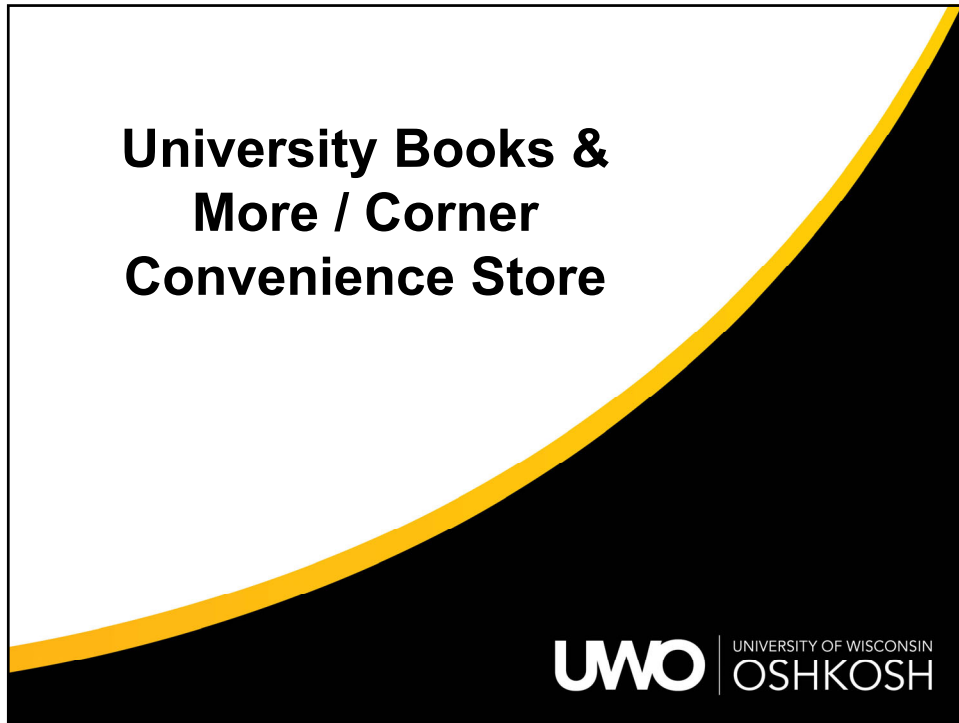
Kurt Leibold, Facilities

Jesse Crain, Purchasing

Jack Marotz, Student Gov't President

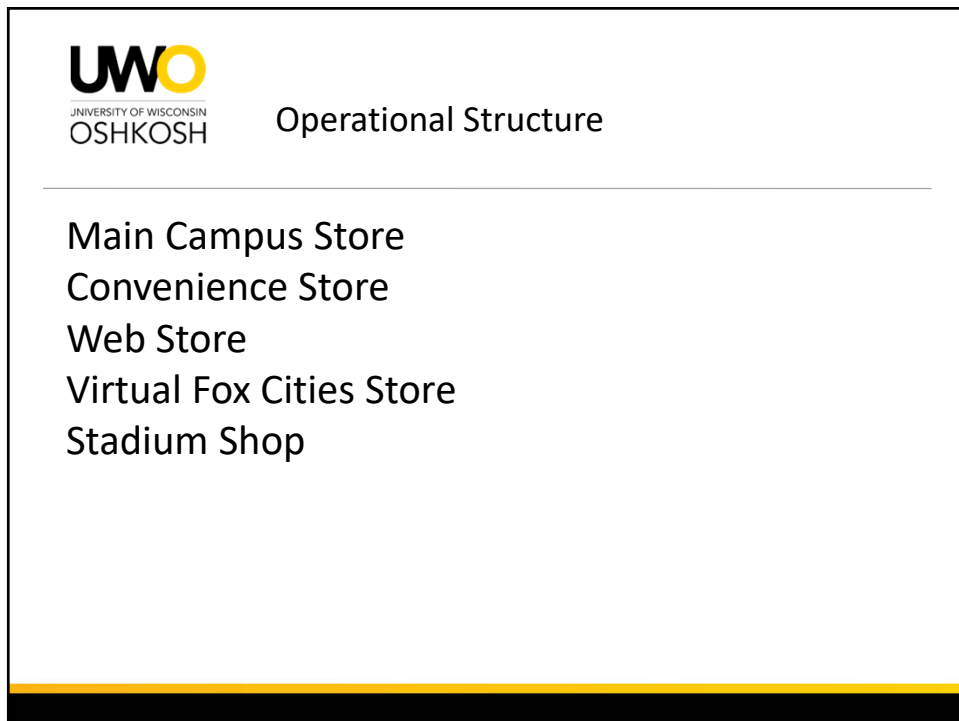
## Appendix C

University Books & More/Convenience Store Presentation by UWO



**University Books &  
More / Corner  
Convenience Store**

**UWO** | UNIVERSITY OF WISCONSIN  
OSHKOSH



**UWO**  
UNIVERSITY OF WISCONSIN  
OSHKOSH

Operational Structure

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Main Campus Store  
Convenience Store  
Web Store  
Virtual Fox Cities Store  
Stadium Shop



## Staffing

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### **8 FTE**

- Director/Apparel, Giftware, School Supplies, Electronics Buyer/Campus Licensing Coordinator
- Assistant Director/Course Materials Manager & Buyer
- Marketing/Web Store Manager
- Accountant/Cash Accountant
- Convenience Store Manager/Customer Service Manager
- Assistant Course Materials Manager/Customer Service Manager
- Shipping & Receiving/Trade Department Manager & Buyer
- Administrative Assistant/Apparel Department Manager

### **30-40 Student Staff**

### **3 Seasonal Staff**



## Services

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### **Course Materials Department**

- Student Choice Model
  - New & Used Print
    - Ranked #1 in used book units sold among 88 independent schools surveyed nationwide
  - Print Rentals
  - ebooks
  - Publisher Courseware
  - Instant Access
    - A digital-first program to improve affordability, equity of access and convenience for students.



## Course Materials Services Continued

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Charge course materials & school supplies to student account.  
 Free order delivery to Fox Cities first 2 weeks of semester.  
 Collaborate with Accessibility Center to obtain modified formats.  
 Buybacks offered at the end of each semester.  
 Utilize Verba Collect software to make faculty submissions quick & easy.  
 Special Order program.  
 Campus Department Special Order.  
 Provide materials for local CAPP courses.  
 Support Document Services to provide very low-cost lab manuals.  
 Source used course materials from wide variety of vendors.  
 Work closely with faculty on last minute course material changes.



## Additional Bookstore Services

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Full-service convenience store  
 Stadium shop  
 Pop-up book sales for speaker events  
 Sponsorships (Athletics & Titan Thunder)  
 Collaborations across campus  
 Department Discounts  
 Donations (student groups, campus programs, local events)  
 Special Interest Groups (Vets, LGBTQ+, Athletics, EXT Sizes, Titan Thunder, Hispanic, etc.)  
 Adjust hours to meet campus needs (move-in, TTO, homecoming, Commencement, etc.)  
 Support alumni owned and local businesses.  
 Fair Trade  
 Special Orders

## Appendix D

New Contract	Institution	Bookstore Type	Store Commission Percent (%)	Estimated Annual Net Sales \$ (Store Only)	Estimated Annual Commission \$ (Store Only)	Annual Guarantee (To be paid if greater than commission generated)	Supplier of Bookstore	Text Book Distribution Type	Textbook Commission or Seg Fee	Textbook Rental Commission Percent (%) (If Applicable)	Supplier of Text Rental Program	Current Contract Expiration Date	Comments
PS-19-2452	UW-La Crosse	Contractual Retail Spiritwear Bookstore	15.6% \$0-1,000,000 16.6% \$1,000,001 and Over	\$1,750,039.00	\$280,506.47	\$265,000.00	Follett	Contractual Textbook Rental Program	Seg Fee	N/A	Follett	6/30/2026	Signing Bonus \$300,000 - New Contract
PS-21-2407	UW-Eau Claire	Contractual Retail Spiritwear Bookstore	16.50% up to 2 million and 17.50% over 2 million	\$1,435,786.00	\$235,911.00	\$175,000.00	Follett	Contractual Textbook Rental Program	Seg Fee	N/A	Follett	6/30/2027	
PS-19-2717	UW-Stevens Point	Contractual Retail Spiritwear Bookstore	15% \$0-1,000,000 and 16% \$1,000,001 Over	\$1,308,378.20	\$250,000.00	\$250,000.00	Barnes & Noble	Contractual Textbook Rental Program	Seg Fee	N/A	Barnes & Noble	6/30/2026	
PS-20-2408	UW-Platteville	Contractual Retail Spiritwear Bookstore	18.50%	\$617,398.00	\$114,218.00	\$60,000.00	Follett	Self-Operated Textbook Rental	Seg Fee	N/A	UW-Platteville	6/30/2025	
PS-21-2316	UW-River Falls	Contractual Retail Spiritwear Bookstore	14.50%	\$480,884.00	\$69,728.18	\$50,000.00	Follett	Self-Operated Textbook Rental	Seg Fee	N/A	UW-River Falls	6/30/2026	
PS-20-2395	UW-Stout	Contractual Retail Spiritwear Bookstore	22.00%	\$586,331.24	\$128,992.00	\$130,000.00	Follett	Self-Operated Textbook Rental	Seg Fee	N/A	UW-Stout	5/22/2025	
PS-18-2678	UW-Green Bay	Contractual Retail Spiritwear Bookstore	*13.5% up to 1.5 million. 14.5 above 1.5 million and up to 2 million. 15.5% Above 2 million and up to 2.5 million. 17.50 above 2.5 million.	\$2,600,000.00	\$370,000.00	\$312,000.00	Follett	Contractual Retail Program	Commission	* Contractual Textbook Retail Program and Spirit Store are combined commission & sales number.	Follett	6/30/2025	* Contractual Textbook Retail Program and Spirit Store are combined commission & sales number. UW-Green Bay Retail Model is identical to UW-Superior, UW-Parkside, and UW-Colleges
PS-21-2583	UW-Superior	Contractual Retail Spiritwear Bookstore	13.50%	\$694,969.00	\$93,820.82	\$70,000.00	Follett	Contractual Retail Program	Commission	* Contractual Textbook Retail Program and Spirit Store are combined commission & sales number.	Follett	6/30/2026	
PS-21-2767	UW-Parkside	Contractual Retail Spiritwear Bookstore	14.50%	\$705,572.00	\$102,307.94	\$50,000.00	Follett	Contractual Retail Program	Commission	* Contractual Textbook Retail Program and Spirit Store are combined commission & sales number.	Follett	6/30/2026	
2024-UWSYS-00497-RFB	UW-Milwaukee	Contractual Retail Spiritwear Bookstore	15% for Spiritwear Store, 9% for Virtual Textbook/Course Materials Store up to \$1.5M and 10% for above 1.5M, On-Demand On-Line Merchandising 18%	\$2,636,494.24	\$269,191.10	\$200,000.00	Follett	Contractual Retail Program	Commission	* Contractual Textbook Retail Program and Spirit Store are combined commission & sales number.	Follett	6/30/2031	*Contract starts July 1, 2024 (New Contract)
PS-21-2768	UW Extended Campus	Online/Textbook	9% up to \$250,000 and 10% Over \$250,000	\$20,000.00	\$1,800.00	\$12,000.00	Follett	Contractual Retail Program	Commission	* Contractual Textbook Retail Program and Spirit Store are combined commission & sales number.	Follett	6/30/2028	
	UW-Oshkosh	Self-Operated Retail Spiritwear Bookstore	N/A	Unknown	N/A	N/A	UW-Oshkosh	Self-Operated Retail Textbook Rental	Retail Business Only/No Commission or Seg Fee	N/A	UW-Oshkosh	N/A	Retail \$ on Text Retail program Unknown
	UW-Whitewater	Self-Operated Retail Spiritwear Bookstore	N/A	Unknown	N/A	N/A	UW-Whitewater	Self-Operated Textbook Rental	Seg Fee	N/A	UW-Whitewater	N/A	

## Bookstore and Textbook Business Summary Provided by UW System Procurement

UWS Bookstore and Textbook Business Summary

There are currently five bookstore strategies or business models operating among the institutions:

1. The Bookstore.
  - a. The Bookstore is predominately a spirit-wear/gift/supply type inventory with very few books. Textbooks are not part of this business model.
  - b. A UWS Self-Operated Bookstore is a retail business operated by the institution for an intended profit. The institution owns all inventory.
  - c. A UWS Contracted Bookstore is a retail business in which the contractor owns and runs the business in a designated space on campus and pays the institution a contracted percentage of commission on all sales. (UWS Bookstore commissions per \$1M sales range between 13.5% and 22% of sales per institution specific contract.) The bookstore is a revenue generating enterprise for the institution. The contractor owns the merchandise inventory. The contractor also generally may own some or all the store displays and equipment such as shelving, computers, cash registers, etc.
  - d. The majority of the bookstores in the system are contracted to a supplier.
  - e. UW-Oshkosh and UW-Whitewater are the only self-operated bookstores. This is an institution decision, and this business model has been in place for decades at both institutions.
  - f. Contracted Bookstores institutions are as follows: UW-Platteville, UW-Stout, UW-River Falls, UW-Superior, UW-Green Bay, UW-Parkside, UW-Eau Claire, UW-La Crosse, UW-Stevens Point, UW-Extended Campus, and UW-Milwaukee.
2. Textbook Rental Program. There are seven Textbook Rental Operations; four are self-operated and three are contracted.
  - a. In the Self-Operated Textbook Rental Operation, the institution purchases, owns and manages the textbook inventory. Students pay a segregated (Seg) fee to rent the books. The Seg fee is set by the institution.
    - Self-Operated Textbook Rental institutions include UW-Whitewater, UW-Platteville, UW-River Falls, and UW-Stout.
  - b. In the Contracted Textbook Rental Operation, the institution contracts with a service provider to source the textbooks from the publishers, the institution purchases the textbooks and owns the inventory, the service provider manages the inventory and the textbook rental operation on behalf of the institution for a percentage of the cost of goods acquired for the institution's rental program. (At this time 5 or 6 percent depending on institution specific contract. This process includes defined invoice cost from publisher plus a 2% allowance for the cost of shipping goods from source to Textbook Rental Operation.) Students pay a segregated (Seg) fee to rent the books; the Seg fee is set by the institution.
    - Contracted Textbook Rental institutions include UW-Eau Claire, UW-La Crosse, and UW-Stevens Point.
    - UW-Stevens Point (UWSP) recently outsourced the Text Rental Program (and bookstore) to reduce labor and because UWSP determined outsourcing to be more beneficial.
  - c. Historically, in-house textbook rental management has been determined by each individual institution.
3. Textbook Retail Program – There are five Textbook Retail Programs; three are contracted and one is self-operated.
  - a. A UWS Textbook Retail Program is a program in which the campus has contracted with a supplier to sell textbooks and textbook materials to students. This is a revenue generating business with the institution earning a commission percentage on all contractor textbook sales. Commission percentages on \$1M textbook sales range between 13.5% and 15.5% of sales per institution specific contract.



- b. The three institutions with the retail model do not have an invested inventory of textbooks for a rental program.
  - c. Contracted Textbook Retail Program institutions include UW-Superior, UW-Parkside, UW-Green Bay, and UW-Milwaukee.
  - d. UW-Oshkosh has the single Self-Operated Textbook Retail Program.
4. UW-Extended Campus is an Online Textbook Only Retail Program.
5. UW-Madison: UW-Madison does not have a textbook rental, textbook retail, or bookstore business on campus. Students are required to independently purchase textbook materials.

As noted, campuses determine the preferred business model. Defining which model is most advantageous or recommended will require analysis which can be initiated if it is of further interest to the Board.



# **College Store Industry Overview:** **Summary Of Trends, Operating Models, & Opportunities**

**Jon Bibo**  
**Chief Executive Officer**  
**Independent College Bookstore Association (ICBA)**

**June 6, 2024**



## **Today's Topics**



- 1. Quick Intro**
- 2. Current & Future State Of The College Store Industry**
  - Overall Support & Value Proposition
  - Course Materials
  - General Merchandise
- 3. Self-Operation vs. Outsourcing**
- 4. Ideas For “The College Store Of The Future”**
- 5. Open Discussion**

## Jon Bibo: Professional Background

- 1986 - 1992: Buyer/Manager (Case Western Reserve University Bookstore)
- 1992 - 2007: Vice President (National Association Of College Stores)
- 2007 - 2014: Vice President (Follett Corporation)
- 2014 - 2018: Co-Founder (Bibo-Walsh Retail Consulting Services LLC)
- 2015 - Present: Chief Executive Officer (ICBA)

### **39 Years In The College Store Market:**

***Working As A Vendor And As A Retailer With Leased & Self-Operated Stores...  
And With Students, Faculty, Publishers, Administrators, Wholesalers, Distributors, & Manufacturers***

## Serving Self-Operated College Stores Since 1927...

- ICBA has 259 self-operated Store Members in U.S. & Canada
  - Princeton; Brown; Missouri; UCLA; Arizona; Duke; Utah; Cornell; Virginia; Kansas; Tennessee; Alabama; Minnesota; Texas; UC San Diego; Washington; Oregon; Illinois; Iowa St.; McGill; Colorado; UC Davis; San Diego St.; Colorado St.; Wyoming; Auburn; Dayton; Syracuse; Vermont; UMass, New Mexico, North Carolina St., Carnegie Mellon, Pittsburgh
  - In WI: Wisconsin-Madison, Wisconsin-Oshkosh, Wisconsin-Whitewater, Carroll, Edgewood, Lakeland, Waukesha County
  - 65+ Community Colleges
- \$1.4B in aggregate Member sales
  - ICBA Average Sales per Store: \$5.6M (vs. Total College Store Industry Avg: \$1.8M)



## College Store Overview & Types

- 3,600 Stores serving traditional Higher Ed institutions
  - **Independent, but “formally affiliated”** with institution (1,800)
    - Owned & Operated by institution (“self-operated”)
    - Includes online-only virtual stores
  - **Lease Operators** (1,600)
    - Follett: 1,000ish stores (\$2.3B est.)
    - Barnes & Noble College: 600ish stores (Ticker Symbol: BNED; \$1.5B)
  - **Independent, but off-campus/private** (200)
    - Adjacent to campus (off campus)
    - Not “formally affiliated” with institution

## College Store Retail Snapshot

- \$7.5B-\$8.0B retail “channel”
- 40%-80% of sales in “Course Materials” (Textbooks)
- 20%-50% in “General Retail Merchandise”
  - Licensed Apparel & Gifts
  - Technology/Electronics
  - School/Office/Art Supplies
  - Food/Beverage
  - Health/Beauty
  - Graduation
  - General Reading Books
  - Non-Licensed Apparel/Gifts/Accessories
  - Dorm/Campus Living



## Value Of College Stores: Past/Present/Future

- Reflect/Represent an institution's unique traditions and spirit
  - Students, Faculty, Staff, Alumni, Fans, Local Community, Parents, Special Event Attendees
  - A flagship for the institution's "brand"
- Support institution's Mission/Vision/Values and strategic plan
  - Provide a financial return to the institution
- Support academic success
  - Favorable student outcomes and completion rates
  - Academic freedom of faculty
  - Procure/Provide academic materials at the lowest cost
- Offer great service and an excellent shopping experience
  - Offer products to enhance students' campus experience ("needs" and "wants")
  - Top brands, competitive prices, ethical sourcing



## Trends Negatively Impacting The Entire College Store Industry

- Pandemic
- Enrollment declines
- Supply Chain volatility
- Profitability much tougher to come by
- Staffing challenges
- Increased competition (and increased royalties) for licensed merchandise
- Evolution of Course Materials
  - Digital book growth reduces store traffic, reduces "top line" sales, and comes with lower mark-up
- Rising freight costs
- Inflation
- Technology platforms and analytical tools in need of upgrades

# Course Materials

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## Course Materials: Recent Trends

- Course Materials top line sales decline (affordability initiatives)
  - Average cost of course materials much lower than 5 years ago
    - Great for students, challenging (financially) for store
  - Focus for all stakeholders on: **Affordability** and **Student Success**
  - Faculty maintain **academic freedom** but with more sensitivity toward affordability
  - **Students who don't use required materials have lower success rates**
- New Course Materials formats & business models
  - Used...then Rental...then Digital
  - Consideration of Open Educational Resources
  - **Inclusive Access ("Instant Access")** moving toward **Equitable Access**
- Deeper campus platform integrations save time
  - Course Materials acquisition by students via college stores is more seamless



## Course Materials: What's Next?



- Increased acceptance and enhanced value of digital materials
    - Digital learning materials expand beyond electronic books to be more immersive/adaptive
    - Improved accessibility for students with special needs
    - Supports larger sustainability initiatives
  - Improved student outcomes with early acquisition and use
  - Expansion of Instant Access and Equitable Access programs
  - Reduction in perceived value of one publisher's "brand" vs. another
    - Institutions/Faculty/Students/Stores care more about right materials/right price/right time
    - "Long tail" means most stores must source from 200+ publishers
- 

## *General Merchandise*

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## General Merchandise: Recent Trends

- Covid recovery nearly complete: sales approaching 2019 levels
- Inflation driving prices up
- Consumer preferences expressed:
  - Local/Authentic (pushback against mega-brands & national chains)
  - Ethical & Sustainable sourcing
  - Value prices
  - Retailers who support *and* demonstrate Diversity, Equity, & Inclusion
  - Product customization
  - Unique experiences
  - Interesting gifts
- College Store product assortments that offer options
  - Value – Good – Better – Best – Premium



## University Books & More: Options For All Customers



\$15.00



\$20.00



\$26.95



\$36.95



\$50.00



## General Merchandise: Recent Trends (cont'd.)

- Major brands look to build brand loyalty via college stores
  - Traditional: Apple; Nike; Under Armour; Vitamin Water; JanSport; Mead; Skullcandy
  - Newer: Kendra Scott; lululemon; Levi Strauss; Fjallraven; Herschel; Cotopaxi; HydroFlask
- Aspirational lifestyle choices for brands and products still drive sales
- College Stores experimenting with non-licensed gift and apparel boutiques
- eCommerce
  - Mobile purchasing is preferred purchase method for Gen Z
  - Concept of “endless aisle” gaining acceptance among consumers
    - Retailers offer expanded array of “online only” products
  - Consumer expectation of flexible payment options: Buy Now, Pay Later
  - B-O-P-I-S (Buy Online, Pickup In Store)



## General Merchandise: What's Next?

- Concept of College Stores being viewed as the “flagship retailer” for an institution
- College stores help reduce campus costs by providing products for special events
  - Lanyards; Portfolios; Water Bottles; Shirts; etc.



# College Store Operating Models

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## Macro View Of Self-Operation & Outsourcing

- Why college stores get outsourced
    - Financial challenges
    - Poor service
    - Lack of innovation
    - Institutional preference not to operate retail location
  - Legitimate cases can be made for both operating models
    - Both models succeed on certain campuses
    - Both models fail on certain campuses
  - **An institution's preferences and areas of focus/emphasis often determine which model is best for that campus**
    - Outsourcing cannot maximize an individual institution's retail customer experience or success
    - Chains are corporate *profit-driven*, not institutional *mission-driven*
-

## Chain Store Business Model

- Role of store personnel changes to become simply **implementors** of HQ initiatives and directives rather than **strategic decision-makers**
- Product assortments determined by the HQ based on campus demographics: sales projections, square footage, enrollment
  - Stores are slotted into pre-determined assortments: AAA-AA-A-B-C-D-E-F-G-H
  - *CASE STUDY: Red and Blue Binders*
- Marketing/Communications/Promotions/Pricing largely driven by national initiatives
- Pricing of basic items (t-shirts, school supplies) tends to be higher
- Labor costs at the store level tend to be lower (too low?)
- Limited ability to communicate via social media
- Commissions to institution contain multiple exemptions and exceptions

## Selected Top College Stores In The Industry

- |                           |                             |                      |
|---------------------------|-----------------------------|----------------------|
| ▪ Mizzou (Self-Operated)  | ▪ Arizona St. (Follett)     | ▪ Notre Dame (B&N)   |
| ▪ Arizona (Self-Operated) | ▪ Texas Christian (Follett) | ▪ Penn (B&N)         |
| ▪ UCLA (Self-Operated)    | ▪ Stanford (Follett)        | ▪ Georgia Tech (B&N) |
| ▪ Texas (Self-Operated)   | ▪ Florida (Follett)         | ▪ Yale (B&N)         |
| ▪ Alabama (Self-Operated) | ▪ Georgia (Follett)         | ▪ Texas A&M (B&N)    |

***Strong Market Trend Toward College Store Self-Operation***

## Campuses Recently Returning To Self-Operation (Many More To Come)

- Ferris State
- Eastern Arizona
- Nebraska-Kearney
- Naperville North Central
- Seattle Pacific
- Carson-Newman

***Major Topic Of Discussion At NACAS & NACUBO Conferences***

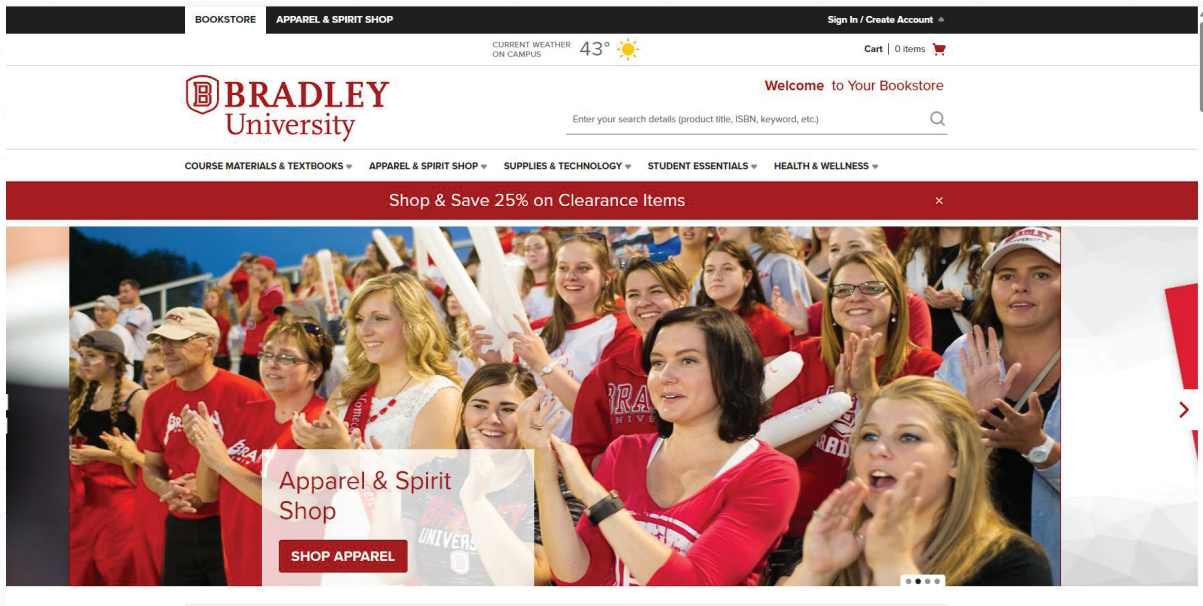
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## Chain Operator Recent Trends

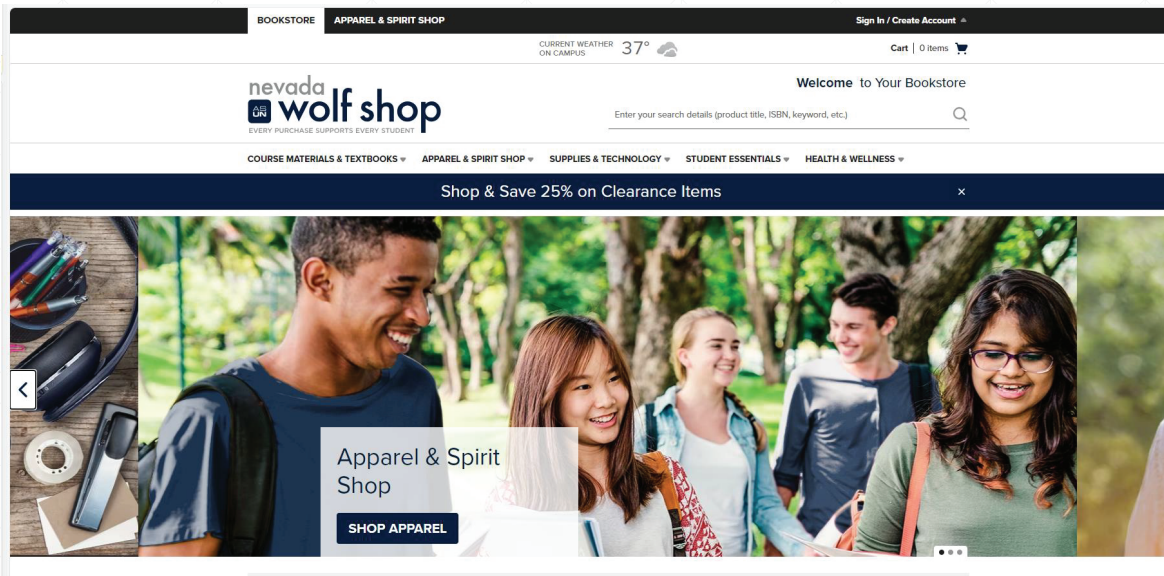
- Changes at Follett and B&N
    - Follett sold K-12 and Higher Ed divisions to private equity firms
    - B&N formed alliance with Fanatics and Lids to help manage licensed merchandise that has not panned out well
  - Both appear to be pulling back from smaller campus store operations
    - Both have reduced their store counts
    - Both have reduced store staff greatly
  - Both offering Equitable Access-type programs for Course Materials
    - B&N “demanding” EA; Follett “driving” EA
  - B&N stock price \$0.74 (down >67% from 52-week high of \$2.26)
  - Follett just announced yet another round of significant layoffs
-



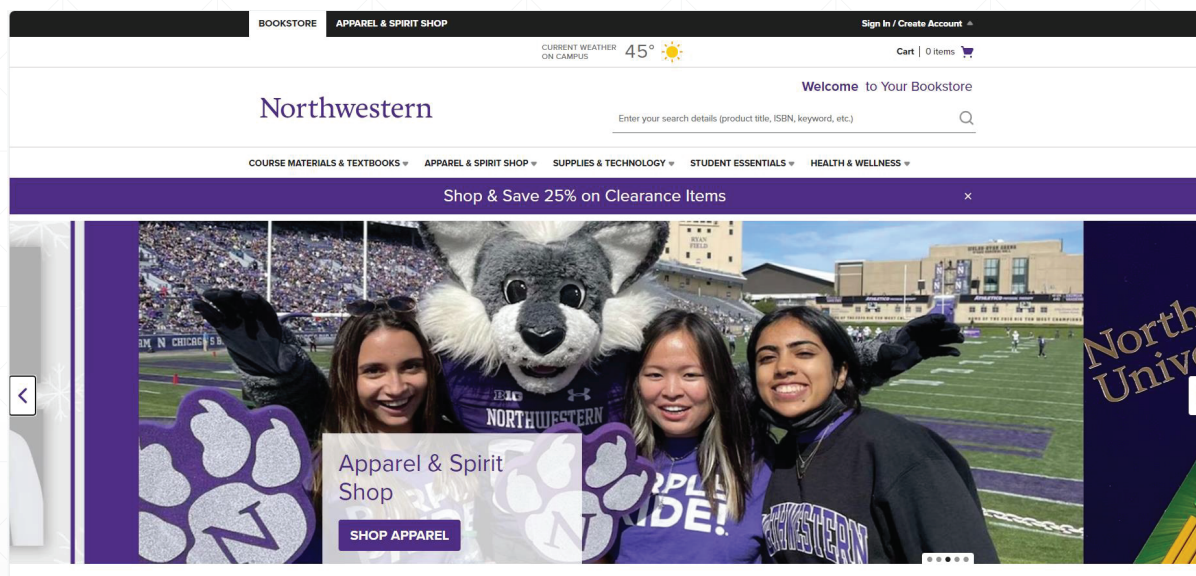
# B&N Columbia College



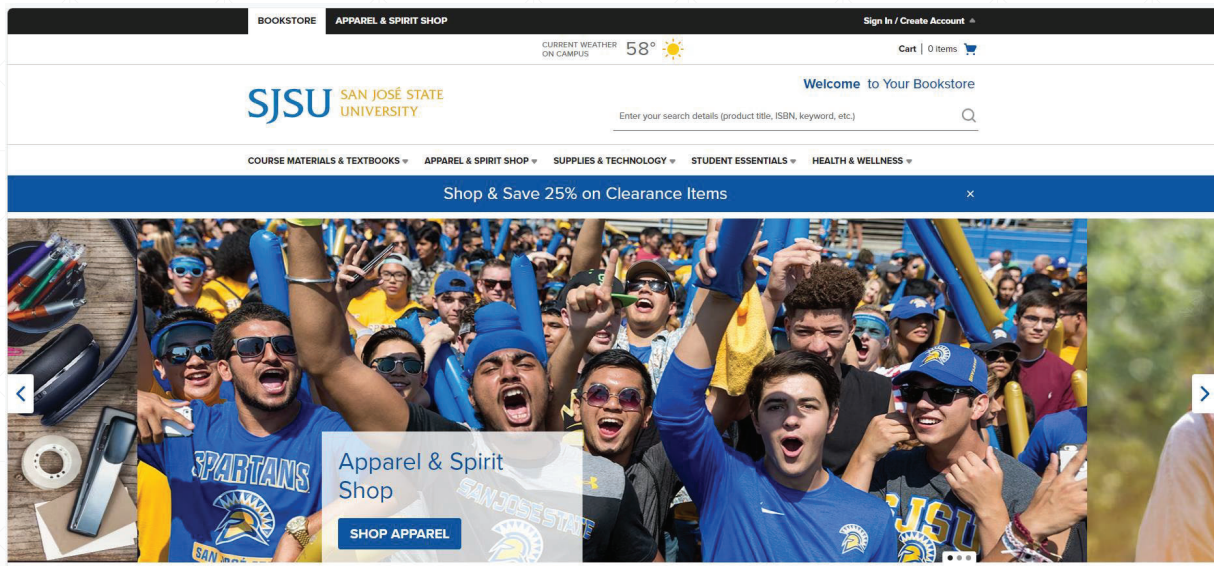
# B&N Bradley University



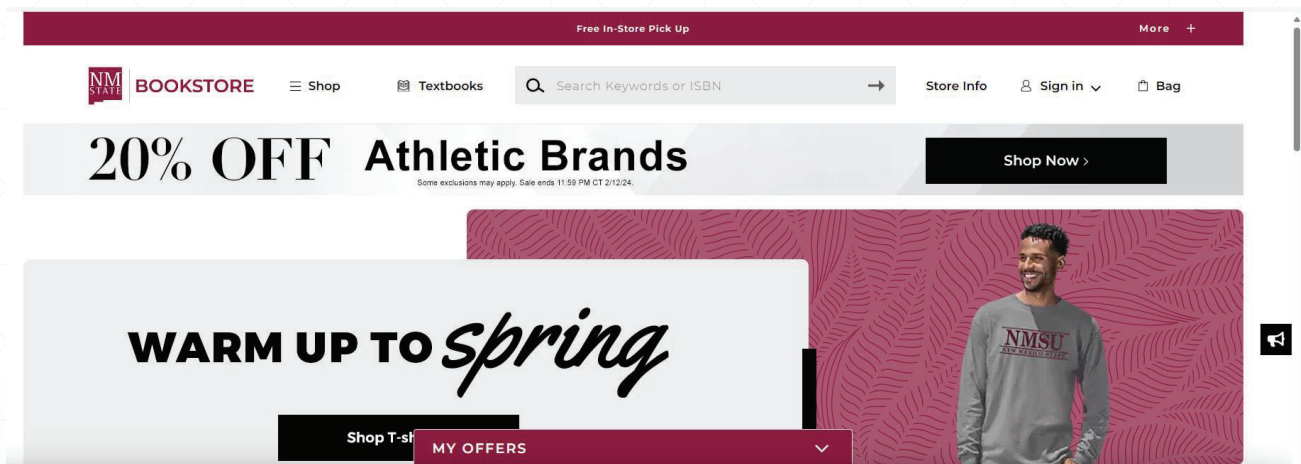
# B&N University of Nevada



# B&N Northwestern University



## B&N San Jose St.



## Follett New Mexico St.

Free In-Store Pick Up More +

**CAMPUS STORE** Shop Textbooks Search Keywords or ISBN Store Info Sign in Bag

**20% OFF Athletic Brands** Shop Now >

WARM UP TO *spring*

Shop T-shirts >

CSUN

01 02

# Follett Cal State Northridge

Free In-Store Pick Up More +

**CAMPUS STORE** Shop Textbooks Search Keywords or ISBN Store Info Sign in Bag

**20% OFF Athletic Brands** Shop Now >

WARM UP TO *spring*

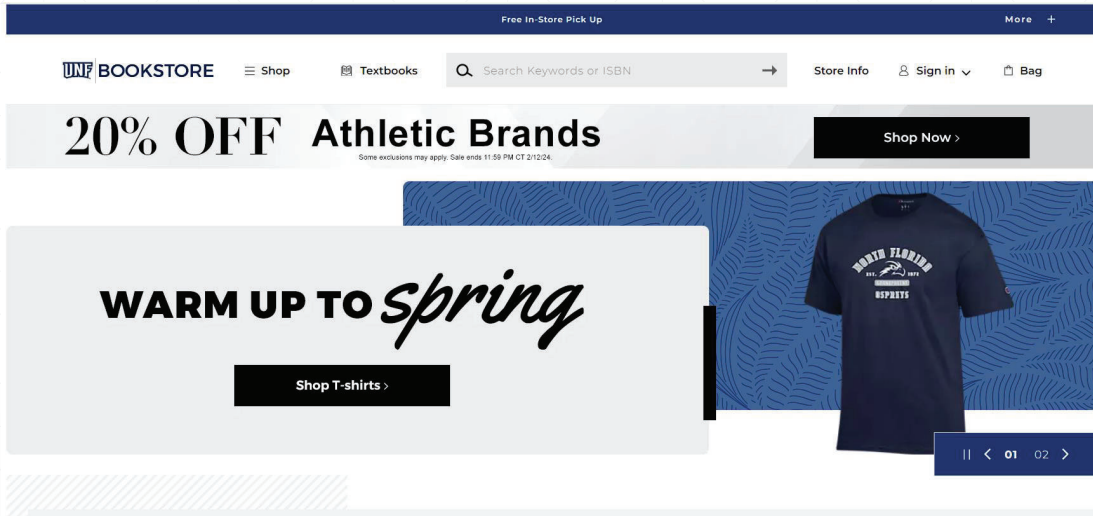
Shop T-shirts >

UTSA

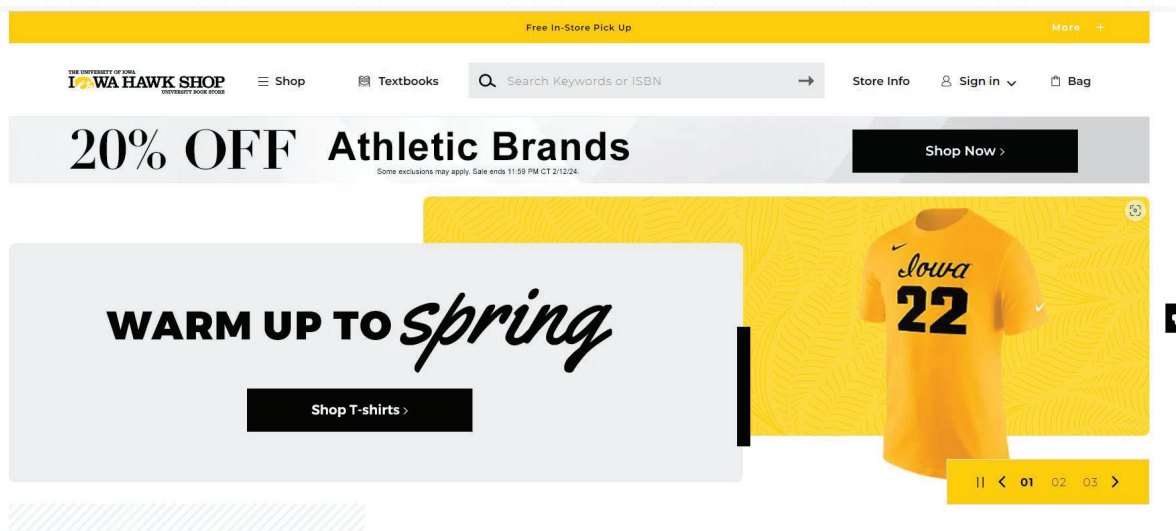
01 02

# Follett University Of Texas – San Antonio





## Follett North Florida



## Follett Iowa University

## Social Media: Chain vs. Self-Operated Stores

- B&N and Follett: do not drive engagement or regularly post on social media
  - UW-Stevens Point B&N Store Facebook
    - 1,500 Following; No new posts since April 2024
  - Georgetown B&N Store Facebook
    - 446 Following; No new posts since 2022!
  - Yale B&N Store Facebook
    - 2,300 Following
  - UW-Green Bay Follett Store Facebook
    - 245 Following; Most Recent Post: August 2021
  - University Of Denver Follett Store Facebook
    - 1 Following; Most Recent Post: Zero!
  - University of Cincinnati Follett Store Facebook
    - 15 Following; Most Recent Post: November 2023
- Self-Operated Stores: much more active
  - UWO Books & More Facebook
    - 1,800 Following
  - University of Dayton Store Facebook
    - 3,400 Following
  - Iowa State Store Facebook
    - 8,600 Following
  - UW-Madison Store Facebook
    - 14,000 Following



## What Opportunities Does The Future Hold For College Stores?

## Current & Future Opportunities For College Stores

- Clear alignment and support of institutional strategic plan and mission
- Expand opportunities to serve departments and campus groups
- Creative partnerships and coordination with alumni, athletics, commencement, special events, etc.
  - Reduce inefficiencies and address duplication of resources and effort
  - College stores have core competencies to manage events and transactions across campus



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## Current & Future Opportunities For College Stores

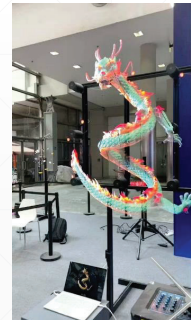
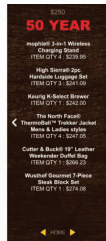
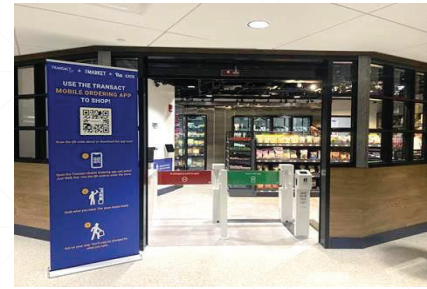
- Consider integration with Print Shops, ID Centers, Mailrooms, C-stores, etc.
- Re-purpose square footage once reserved for physical textbooks
- Expand eCommerce capabilities to drive new sales through drop-ship programs
- Focus on experiences that are unique to each campus



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# Innovation (...and Revenue Generation) In The College Store Industry

- Personalization and Customization
- “Just Walk Out” cashier-less retail
- Years of Service gifting programs
- House Plants
- Emphasize local products and vendors
- Attention-getting events



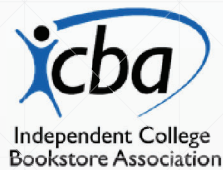
## Open Discussion



# ***Thank You***

***Jon Bibo***

***JonBibo@ICBAinc.com***



## **Appendix G**

### Interview Questions for UW Bookstore Contract Managers (Green Bay, Stevens Point, La Crosse)

#### **General Overview**

Can you describe your experience with a self-operated bookstore versus a third-party model?

#### **Transition to Third-Party**

When did the UWSP/UWGB/UWLAX bookstore transition to a third-party service model? What were the reasons for doing so?

What challenges did you experience during the transition? Were there any unforeseen expenses?

What was the impact on employees who were employed at the bookstore prior to the transition?

Post-transition to an outsourced model, were there any debts incurred from the prior self-operated model? If so, how were they handled?

#### **Operational Details**

Can you describe the process for Barnes & Noble/Follett to charge student accounts for Financial Aid, Scholarships/Grants, Veteran Accounts, or Campus Dollars (both in store and online)? What about generally – can any student purchase books and charge to their student account?

Can you speak about how course materials/textbooks are handled on your campus? Do most student orders ship from your physical store or a corporate warehouse? What kind of digital course material programs does the vendor operate for your students? What percentage of textbook adoptions are received by faculty each semester? Can you touch on third party vendor & faculty/academic relations?

Does your 3<sup>rd</sup> party coordinate materials with campus services (e.g. accessibility) and for concurrent/dual enrollment high school programs? What about special orders for specific campus events, departments (e.g. academic, facilities) or other programs?

Does your 3<sup>rd</sup> party integrate their systems into your campus systems (e.g. inclusive digital access)?

Does Barnes & Noble/Follett make donations to campus and community groups or participate in campus programming like book/author events? What about sponsorships? Relationship with Athletics Dept.?

Does Barnes & Noble/Follett adjust their operating hours to accommodate campus events like Freshman Orientations and Move-In days?

What type of work and time commitment is required by a university employee to be a liaison to B&N/Follett? What position manages that work?

Does UWSP/UWGB/UWLAX receive any financial reports from the third party to understand if the change was a good investment?

How much control does the university maintain over the bookstore in its current form?

Are you satisfied with the variety of apparel, school supplies, etc. offered by your 3<sup>rd</sup> party bookstore?

### **Analysis & Reflection**

What has UWSP/UWGB/UWLAX gained by moving to a third-party service model? What has it lost?

Are students and faculty satisfied with the current model? What about their perspectives on the overall experience when accessing the bookstore? Were any surveys conducted amongst students or faculty to collect feedback?

Would you ever consider returning to an independent bookstore? Why? Why not?

What advice would you give to a peer institution who is considering making this change?

## Appendix H

### DRAFT Mandatory Requirements for 3<sup>rd</sup> Party Option

*Note: This list is not exhaustive, and it would be reviewed and modified should a 3<sup>rd</sup> Party partner be pursued. It reflects the main priorities identified by the task group for inclusion in a potential procurement process.*

- 1) Bookstore/Course Materials
  - a. Provide a timely supply, in sufficient quantities, of all required and recommended textbooks/course materials for purchase or for rental.
  - b. Provide timely response to users requiring special order literature and other such material.
  - c. Maintain price competitiveness with comparable stores in the area and with the on-line marketplace for college course materials.
  - d. Provide timely and personal support to faculty and instructional staff regarding course material options (e.g. customized lab manuals), pricing, formats, and other consultations.
  - e. Provide support to UWO Academic Affairs in maintaining our growing current Inclusive Access program (Instant Access) for interested colleges and schools, as well as access to the IA program including course materials.
  - f. Collaborate with Accessibility Center to provide alternative formats for course materials for students.
  - g. Must allow students to charge course materials and course-related supplies to their student account year-round, regardless of financial aid status.
  - h. Provide a direct sell-back or exchange program, ensuring fair pricing and reducing mark-ups on materials.
- 2) Spiritwear
  - a. Offer a significant selection of school, office and art supplies, college and athletic department insignia wearing apparel and memorabilia, commencement caps, gowns and announcements and other items typically found in campus Spiritwear Stores. This includes supplying the UWO Athletic Events with staffing, apparel and memorabilia for purchase during public Athletic Events.
  - b. Provide graduation related services including providing caps and gowns for purchase and/or rent and provide services and items for purchase on the day of the graduation at the graduation site.
  - c. Offer special merchandising based upon the University's ongoing and unique activities such as Artist displays/shows, Alumni Events, Intramurals, Division 3 Athletics, and student organization functions.
  - d. Participate in the development of Spiritwear Store facilities through design expertise and financial contribution. Manage and operate satellite and pop-up retail stores for Athletics, author events, etc.
- 3) On Demand/Online Merchandising
  - a. Supplementing items available in a campus brick-and-mortar spiritwear store with a wide availability of on-demand products. This would include, but is not limited to, products representing athletics, alumni, schools and colleges, academic programs, student programs, families, and other campus initiatives.



- b. Provide opportunities to immediately capitalize on hot market opportunities (i.e., athletics championships); special events and programs; name, image, and likeness initiatives; and specialized departmental or campus group needs.
- 4) Inventory Purchase
  - a. The contractor awarded this bid will be required to purchase all existing university Spiritwear Store inventory and course materials inventory from the university at estimated cost as documented in Section XXX.
- 5) Personnel
  - a. Contractor shall provide an on-site manager for all Contractor activities. On-site manager must be present on University property a minimum of XX hours per week.
  - b. Contractor and University shall collaborate and agree to minimum number of staff to be provided by Contractor to provide services. Contractor Staff shall be a mixture of Contractor provided personnel as well as Student workers paid by Contractor.
- 6) Housekeeping:
  - a. The contractor shall provide daily housekeeping, cleaning, maintenance, and sanitation service: including equipment and supplies for all Bookstore service equipment and areas which shall include, but not be limited to service, receiving and storage, office and hallways used in conjunction with the Bookstore. The contractor shall provide these services or purchase them from the University on a mutually agreed charge-back basis and amended to the contract.
- 7) Facilities
  - a. The contractor shall be responsible for any significant capital re-design of the bookstore space.

Additional Mandatory Requirements to be Expanded Upon if 3<sup>rd</sup> Party is Pursued:

- 1) Requests for reporting of sales and financial information and any other necessary or preferred reporting by UWO.
- 2) Detailed list of Information Technology requirements and considerations from UWO IT.
- 3) Consideration for inclusion of C-Store in a similar capacity (size and volume) to how it currently operates; OR inclusion of similar items to be offered within the Bookstore with a student-indicated preference for hygiene/health items as a priority.

**Appendix I**

FY25 Updated Budget Plans University Books & More/Convenience Store

<u>Bookstore:</u>			
Ending FY24 Balance			(1,453,301)
	<u>Original FY25 Budget</u>	<u>Updated FY25 Budget</u>	<u>Savings</u>
Revenue	4,849,794	4,250,000	(599,794)
Salary and Fringe	773,903	652,586	121,317
Supplies and Expense	3,148,088	2,768,088	380,000
Projected FY25 Balance	(525,498)	(623,975)	

Increasing Revenue:

Original FY25 revenue number was unrealistic, so adjusted based on actuals trends, plus these changes:  
 Increase margins 5-6% to realize approximately 100k in additional revenue  
 Adding in 6 more promotional weeks - each sale generates 50-80k (300-480k)  
 Doubled the instant access digital course materials program (143k in additional revenue)

Decreasing Expenses:

Reduction in FTE and reduce student labor (121k)  
 Reduction in Merchandise - 13% reduction in materials for resale (350k in expense)  
 Suspension of sponsorships (30k)

<u>C-Store:</u>			
Ending FY24 Balance			338,403
	<u>Original FY25 Budget</u>	<u>Updated FY25 Budget</u>	<u>Savings</u>
Revenue	314,500	314,500	-
Salary and Fringe	93,497	83,497	10,000
Supplies and Expense	352,898	352,898	-
Projected FY25 Balance	206,508	216,508	

Decreasing Expenses:

Reduce Student Labor (10k)

<u>Combined:</u>			
Ending FY24 Balance			(1,114,898)
	<u>Original FY25 Budget</u>	<u>Updated FY25 Budget</u>	<u>Savings</u>
Revenue	5,164,294	4,564,500	(599,794)
Salary and Fringe	867,400	736,083	131,317
Supplies and Expense	3,500,986	3,120,986	380,000
Projected FY25 Balance	(318,990)	(407,467)	

**Appendix J**

## Multi-Year Forecast for University Books &amp; More/Convenience Store

**Bookstore:**

	<b><u>FY25</u></b>	<b><u>FY26</u></b>	<b><u>FY27</u></b>	<b><u>FY28</u></b>	<b><u>FY29</u></b>	<b><u>FY30</u></b>	<b><u>FY31</u></b>
Starting Balance	(1,453,301)	(623,975)	96,205	703,703	1,194,868	1,565,928	1,812,984
Revenue	4,250,000	4,250,000	4,250,000	4,250,000	4,250,000	4,250,000	4,250,000
Expenses	3,420,674	3,529,820	3,642,502	3,758,835	3,878,941	4,002,943	4,130,971
<b>FY End</b>	<b>(623,975)</b>	<b>96,205</b>	<b>703,703</b>	<b>1,194,868</b>	<b>1,565,928</b>	<b>1,812,984</b>	<b>1,932,013</b>

**C-Store:**

	<b><u>FY25</u></b>	<b><u>FY26</u></b>	<b><u>FY27</u></b>	<b><u>FY28</u></b>	<b><u>FY29</u></b>	<b><u>FY30</u></b>	<b><u>FY31</u></b>
Starting Balance	338,403	216,508	80,686	(69,514)	(234,558)	(414,927)	(611,120)
Revenue	314,500	314,500	314,500	314,500	314,500	314,500	314,500
Expenses	436,395	450,322	464,700	479,544	494,869	510,692	527,029
<b>FY End</b>	<b>216,508</b>	<b>80,686</b>	<b>(69,514)</b>	<b>(234,558)</b>	<b>(414,927)</b>	<b>(611,120)</b>	<b>(823,649)</b>

**Combined:**

	<b><u>FY25</u></b>	<b><u>FY26</u></b>	<b><u>FY27</u></b>	<b><u>FY28</u></b>	<b><u>FY29</u></b>	<b><u>FY30</u></b>	<b><u>FY31</u></b>
Starting Balance	(1,114,898)	(407,467)	176,891	634,190	960,311	1,151,000	1,201,865
Revenue	4,564,500	4,564,500	4,564,500	4,564,500	4,564,500	4,564,500	4,564,500
Expenses	3,857,069	3,980,142	4,107,201	4,238,379	4,373,810	4,513,636	4,658,000
<b>FY End</b>	<b>(407,467)</b>	<b>176,891</b>	<b>634,190</b>	<b>960,311</b>	<b>1,151,000</b>	<b>1,201,865</b>	<b>1,108,364</b>

**Forecast assumptions:**

Revenue based on actions identified in Appendix I (increase in profit margins, addition of sales weeks, expansion of Instant Access, etc.).

Revenue remains flat over the period of forecast and assumes enrollment stabilizes.

Personnel expenses increase by 4% annually.

Merchandise and materials costs increase by 3% annually.