

UAS Bookstore 2013 Program Review

Introduction

This document has been prepared in support of an administrative program review for the UAS Juneau Campus Bookstore. At UAS, program reviews are well-established means for evaluating academic programs. The purpose of an academic program review is “to facilitate improvement of programs and services, and thereby, the overall strength and reputation of UAS.”¹

With this review, UAS seeks to expand this established process to include administrative areas. The UAS Bookstore is a review priority due to the importance of bookstore operations, the financial pressures facing the University of Alaska system, and the competitive challenges for bookstores everywhere.

The document is organized in the following sections:

Page 2 Operational Requirements for UA Auxiliaries: the UAS bookstore is required to operate under a strict set of guidelines set forth by UA policies and accounting guidelines. This section attempts to briefly summaries these requirements.

Page 4 History Mission & Strategies: A history of the UAS bookstore, its alignment to the UAS mission and current strategies.

Page 8 Institutional Comparisons: A brief summary of bookstore strategies at other institutions.

Page 9 Financial Analysis: A review of bookstore revenues and expenses over the past 11 years.

Page 13 Stakeholder Survey: A results of a stakeholder survey conducted as part of this review.

Page 14 SWOT Analysis: Summary of Bookstore Strengths, Weaknesses, Opportunities and Threats.

Page 15 Appendix A: Survey Data Analysis

The contents of this document have been prepared collaboratively by the Bookstore Manager, the Director of Business Operations, and the Vice Chancellor for Administration. At the start, the goal has been to create a document which promoted transparency by prioritizing brevity and a holistic approach over a comprehensive and exhaustive analysis of any single detail. The Bookstore is a valued and essential part of the campus and it serves many passionate stakeholders. Ideally this document can be easily read and shared by anyone interested in the bookstore and the future direction of the campus.

¹ “Program Review,” UAS Provost Web site, http://uas.alaska.edu/provost/program_review.html

Operational requirements for UA auxiliaries

Auxiliary Service Enterprise-definition

University of Alaska Regents' Policies 05.15.010 – .070 define university auxiliary operations and University Regulation 05.15.070 provides specific bookstore operating guidelines. An auxiliary service enterprise is an entity that exists to furnish goods or services primarily to individuals such as students, faculty or staff and charges a fee directly related to, but not necessarily equal to, the cost of the goods and services.

University departments and the general public may incidentally be served by some auxiliary enterprises. However, with the exception of:

1. sales to students, faculty and staff,
2. the University of Alaska Press, as outlet for printed materials from limited sources, and
3. sales at off-campus university sponsored events,

auxiliary enterprises shall not solicit business from persons off campus and shall not deliver merchandise off campus.

Auxiliary service enterprises include activities such as the University of Alaska Press, housing, bookstores, parking, food service, health care, including hospital or infirmary services, and child care.

Auxiliary Funds-guidelines

Board of Regents' Policy P05.15 stipulates that the housing and bookstore auxiliaries are to be self-supporting operations.

The University of Alaska accounting manual provides additional guidance and direction when revenues and expenditures may be appropriately recorded to the auxiliary funds and when a fund balance should appropriately be generated to carry forward to future years.

Revenues:

1. Rates and pricing standards are to be set at levels adequate to fund the cost of operations.
2. Revenue must be promptly recorded at the time of billing, or on receipt of funds.
3. Revenues must be recorded only to the auxiliary revenue account codes.

Expenditures:

1. Charges to the auxiliaries must include all direct costs of operations. Costs of operations may not be charged to the other funds except when a deficit fund balance would otherwise occur for which it is not possible to recoup through subsequent fee charges. Approval to charge auxiliary costs to other funds must be requested by the responsible chancellor to the president.
2. Direct cost of operations include such items as cost of goods sold (bookstore inventory, food service, etc.), salaries and benefits of staff assigned to the auxiliary operation, travel, supplies, services and equipment directly assignable to the auxiliary.

3. Indirect charges such as utilities, repairs and maintenance, or administrative overhead must be determined by a method which is applied consistently from year-to-year. This method is to be documented in writing, approved by the cognizant administrative vice chancellor, and kept on file at the local campus.
4. All commitments and expenditures are to be processed through the university's financial accounting system at the time of the commitment/expenditures. Expenditures are to be charged to the fiscal year to which they relate.

Auxiliary Fund Balance:

1. By August 30 each year, each fund should be reviewed to determine that June 30 fund levels are adequate. Generally, adequate levels will provide for 1) funding of inventory and receivables net of any payables; and 2) funding of planned major repair and renovation or other periodic expenditures. The review of the adequacy of fund balance must be documented in writing, approved by the cognizant administrative vice chancellor, and a copy transmitted to the Statewide Chief Financial Officer.
2. Additional information must be provided in the event that an auxiliary fund balance appears to be in excess of working capital needs. Planned use of funds identifying nature, date, and cost of project should support the need for the balance. Alternatively, a specific plan to reduce the future revenues should be developed and implemented.
3. Deficit situations must be avoided in all auxiliaries. Should a deficit occur, the unit must present a detailed plan to fund the deficit through increased revenues or reduced expenditures. If the deficit is not reduced according to plan, a request to fund the deficit from other funds should be submitted by the chancellor for presidential approval.

History, Mission & Strategies

Bookstore Overview

The Juneau Campus bookstore is located in the Bookstore and Administrative Services building overlooking Auke Bay a short ten minute walk from the center of campus and boasts generous retail space of almost 3900 square feet with high ceiling design, modern lighting plus modern store fixtures to create a welcoming atmosphere.

As a place to gather, the bookstore has enhanced campus interaction between students, faculty, staff and the community by offering space to display and sell student and faculty art, the introduction of a variety of gift and commodity items for residential students, expanding Alaska cultural and historic reference books and serving as a venue for book signings by local and guest authors. The book signings have been coordinated with campus presentations and lecture series open to the public as well as the campus community.

The Juneau bookstore provides support to distance and local students through the UAS website and hosts MBS Direct on-line textbook book sales. In addition the bookstore offers an online store featuring the sales of university pride and logo clothing and giftware. The website provides all faculty textbook adoptions with complete ISBN and pricing information.

Bookstore History

In the early 1980s the Auke Bay campus allocated about 600 square feet of space to a bookstore operation in the Soboleff Annex current home to the Chancellor's Office. In 1990 the bookstore moved to 2400 square feet of space in the upper floor of the Mourant building next to dining services. The operation was expanded to 3100 square feet and moved downstairs next to the Student Accounts/Bursar office in 1998. The current bookstore relocated in 2007 to the Bookstore and Administrative Services building and boasts generous retail space of almost 3900 square feet with high ceiling design, modern lighting plus modern store fixtures to create a welcoming atmosphere.

Bookstore Mission

The University of Alaska Southeast Bookstore exists to serve the university community by delivering service, products and educational materials and engaging opportunities in an environment that reflects the excellence of the University of Alaska Southeast and supports the university's mission in a financially responsible manner.

Current Objectives

Bookstore support for the university community currently includes providing:

- textbooks for classes,
- reference materials, general books,
- school and dorm supplies,
- art supplies and other consumable materials for classes,
- gifts, UAS logo wear and insignia merchandise.

Support for UAS Mission

Student Success

- The bookstore supports students by collaborating with the Financial Aid office to apply financial aid to purchase of textbooks.
- The bookstore supports students by collaborating with students to provide financial aid vouchers to distance students who choose to purchase their books through our online book supplier Missouri Book Supply.
- The bookstore strives to provide used books and ebooks at affordable prices for UAS students.
- A used book buyback is provided at the end of each semester, so that students can further offset the cost of their textbooks.
- The bookstore provides productive and challenging student jobs.

Teaching & Learning

- The bookstore provides an outstanding selection of art supplies that supports the UAS art classes. The bookstore is one of the only places to get art supplies in Juneau.
- A small but vital general book selection is maintained to complement and enhance our academic programs. In addition a focus on Alaskan history and Alaskana titles, the natural and native history of Southeast Alaska, environmental science, nautical titles, health related titles and juvenile and children's literature, supports our education programs.

Community Engagement

- The bookstore provides a unique and socially responsible selection of Fair Trade products for the university community as well as locals that are not available elsewhere in Juneau.
- In addition, all bookstore events have been enhanced by our location in Auke Bay, which has expanded the university's visibility and accessibility in the community.
- The bookstore has put a very positive foot forward for the university. This community engagement was one of the specific objectives in moving the Bookstore to its current location.
- Juneau is our recruitment base for future students and the bookstore's increased visibility has been good advertising for the university.

Research & Creative Expression

- Sponsored many faculty author events and poetry readings in our current location, as well as Alaska's Poet Laureate Peggy Schumaker.
- Sponsored numerous UAS student, staff and faculty art shows. The shows and displays have raised the awareness of our university talent within the university and the local community.
- The bookstore showcases the UAS Bachelor of Art degree program, featuring Jeremy Kane and his pottery students.

Continuous improvement strategies

The Juneau bookstore manager has established an advisory committee consisting of student, faculty and staff representatives to help review and develop bookstore policies and procedures. The committee has worked to create awareness of the need for timely submission of faculty textbook adoption lists, compliance with HEOA on-line posting of textbook titles and ISBN numbers on campus websites, affordability issues, opportunities for on-line textbook shopping and the availability of e-textbooks that can be downloaded to personal computers.

A survey of faculty and students utilizing bookstore services is being conducted during the fall 2013 semester and the bookstore advisory committee continues to meet to review best practices, technology changes impacting e-commerce and marketing strategies to maintain the profitability of this auxiliary enterprise. UAS is tracking the success of colleges and universities that have made a transition from a brick and mortar operation to on-line ordering and distribution of textbooks and educational supplies.

Institutional Comparisons

UAS Comparison

UAS operates a bookstore on each of the three campuses. The Ketchikan and Sitka campuses provide on-line textbook sales through MBS-Direct. The Juneau campus bookstore is a full service store offering both on-site and on-line textbook and school supply sales.

UA Comparisons

The University of Alaska Fairbanks Bookstore conducted a multi-year review of its bookstore operation based on UA Internal Audit findings, continued reductions in fund balance and concerns over operating costs. An award for outsourced service to eFollet in early 2012 resulted in shipping delays and customer service concerns. The vendor contract has been revised include the on- site management of the bookstore by eFollet employees with campus textbook and supply availability. The University of Alaska Anchorage Bookstore has been reviewed over a period of many years for possible out sourcing options; however, the university owned and managed operation continues to show increases in sales, net income and maintains a strong fund balance. The bookstore has adopted textbook rental programs, markets ebooks, athletic program concessions and a broad array of electronics and software products. The physical location of the spacious split level bookstore in the center of the campus provides convenient access to the campus community and generates strong sales revenue.

Peer Institution Comparison

A survey of bookstore services provided at UAS peer group institutions revealed a majority of peer group institutions are institutionally owned with a brick and mortar operational base. They are public 4-year and above institutions similar to UAS in size (most are in the 1,000-4,999 size category) and geographic location (Far West, Southwest, Plains, and Rocky Mountains).

- Adams State College: brick and mortar store, institutionally owned
- Colorado Mesa University: brick and mortar store, institutionally owned
- Dakota State University: brick and mortar store, institutionally owned
- Eastern Oregon University: brick and mortar store, institutionally owned
- Great Basin College: online bookstore hosted by e.follett
- Northern New Mexico College: Brick and mortar store, institutionally owned
- Oglala Lakota College: Institutionally owned
- Sul Ross State College: Online bookstore only. Outsourced to Texas Book Company
- The University of Texas of the Permian Basin: online bookstore hosted by e.follett
- University of Hawaii at Hilo: brick and mortar store institutionally owned. Recently announced the opening of a \$4.5 million retail bookstore building

Financial Analysis

Current Sales

The sale of books remains, by far, the primary business of the bookstore and the single largest source of sales receipts. In FY13, book sales amounted to 65% of total revenues. Gift items (11%) were the second largest source of revenue, with sales from supplies only slightly less (10%). Clothing, sundries and other sales comprised the remaining 14%.

Current Expenses

The majority of bookstore expenses fall into three categories: purchases for resale (60%), personal services (26%), and debt service on the building (8%). Each of these is discussed below. The remaining 6% included travel, contractual services, non-resale commodities, and overhead recovery.

Purchases for resale: \$498,805.41

This is the amount spent in 2013 to supply the bookstore with the items to be sold.

Personal Services: \$214,567.94

The bookstore employs a full-time manager, an assistant coordinator, and a pool of student employees.

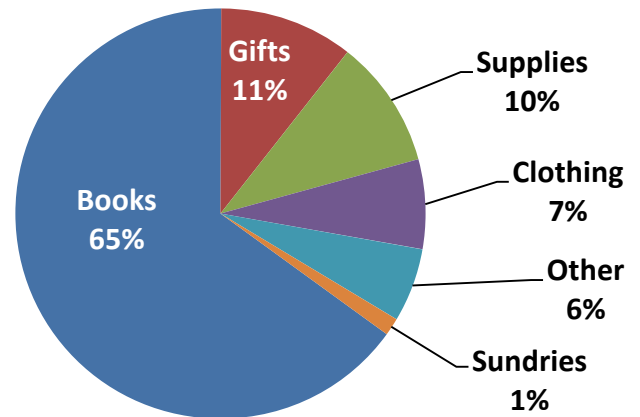
Debt Service: \$69,876

As discussed earlier, auxiliaries are expected to run as self-supporting operations. Consistent with this, auxiliaries housed in facilities requiring debt service pay a share of the obligation. The annual debt service on the entire bookstore/administration building is \$266,000, with the bookstore paying \$69,876 (26%). Initially, this proportion was far higher (\$122,312) based on the 46% of building space occupied by the bookstore. It was quickly determined that this approach resulted in a cost per square foot out of the norm for commercial retail space. Consequently, the annual obligation was reduced with the reduction applied retroactively back to the first year.

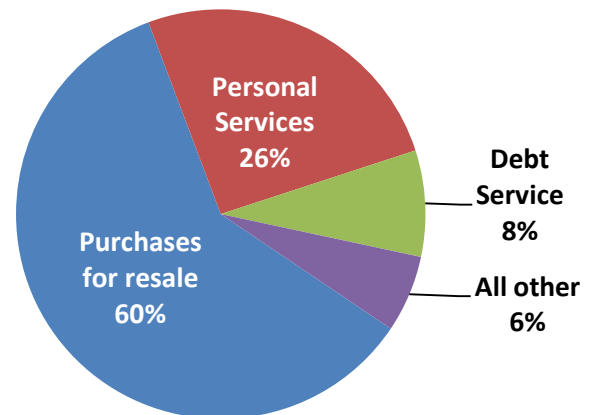
Revenues versus Expenses

Bookstore expenses exceeded revenues by \$164,000 in FY13. While this shortfall is significantly greater than years past, the pattern of insufficient revenues to cover expenses has been consistent for the entire time the bookstore has occupied its current space (see figures on next page).

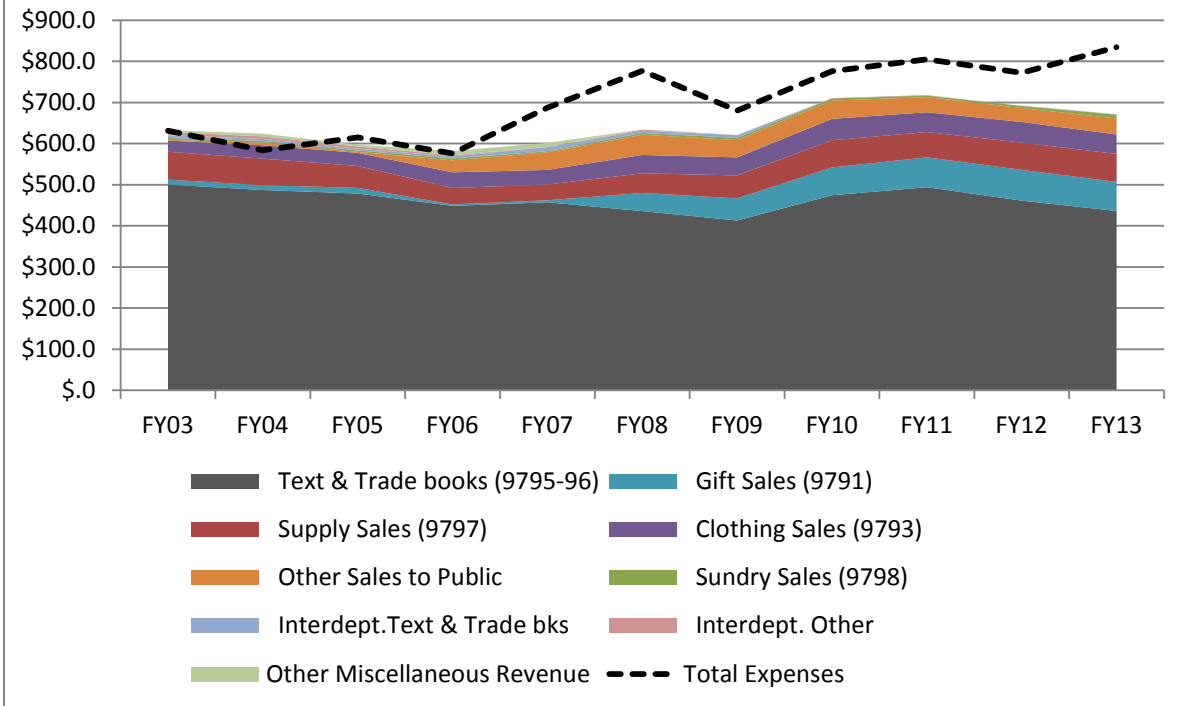
FY13 Sales: \$670.0



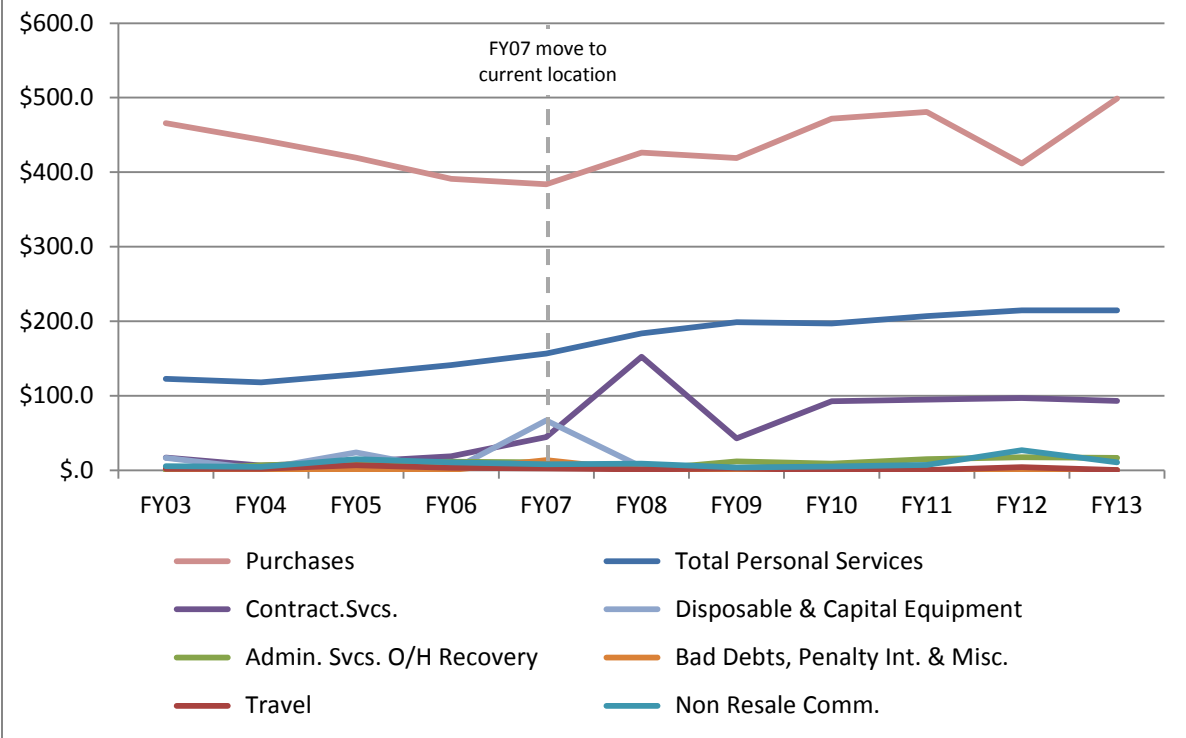
FY13 Expenses: \$834.0



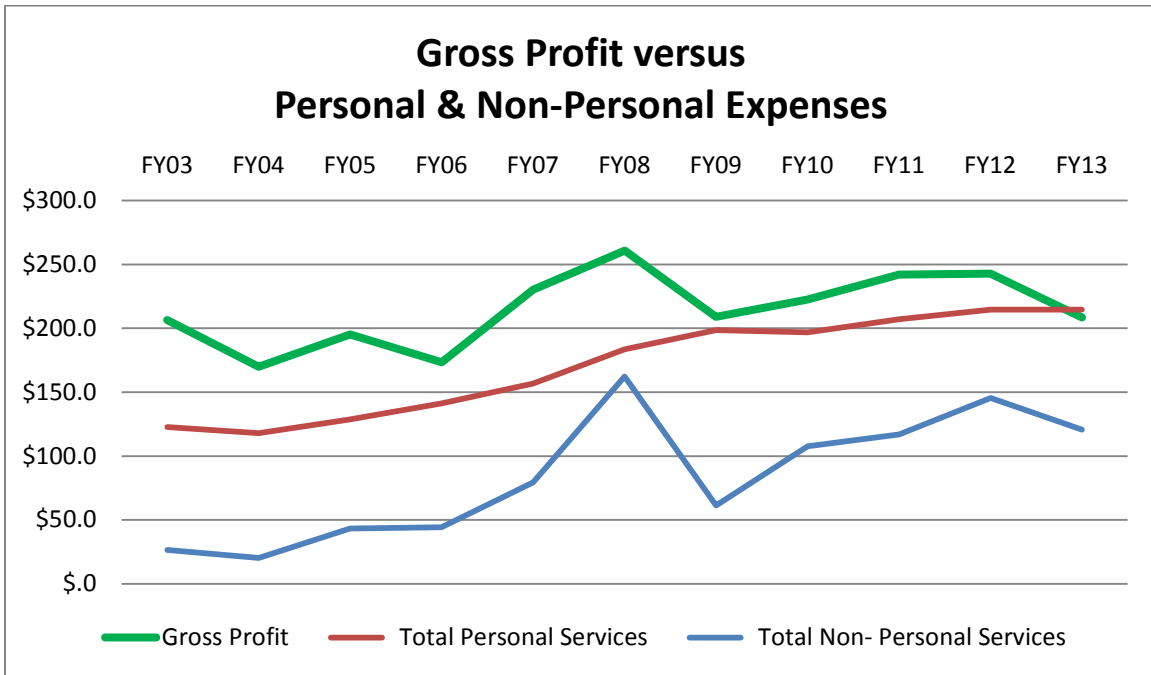
UAS Bookstore Revenues v Expenses



UAS Bookstore Expenses

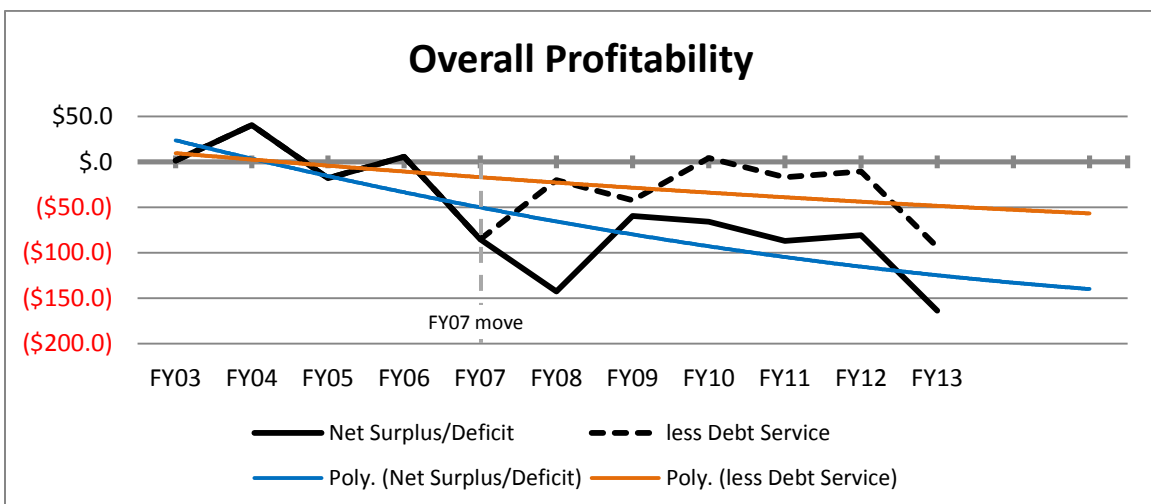


The previous graphs illustrate the steady decline in revenues from book sales. These losses have been offset somewhat by increased revenues from gifts and other sales to the public. However, overall revenues have slid and are unable to keep pace with the increasing fixed costs. For example, over the time period analyzed, annual personnel costs have risen 75% or nearly \$92,000. The net result is that gross profits cannot cover personnel costs alone, much less the other expenses.

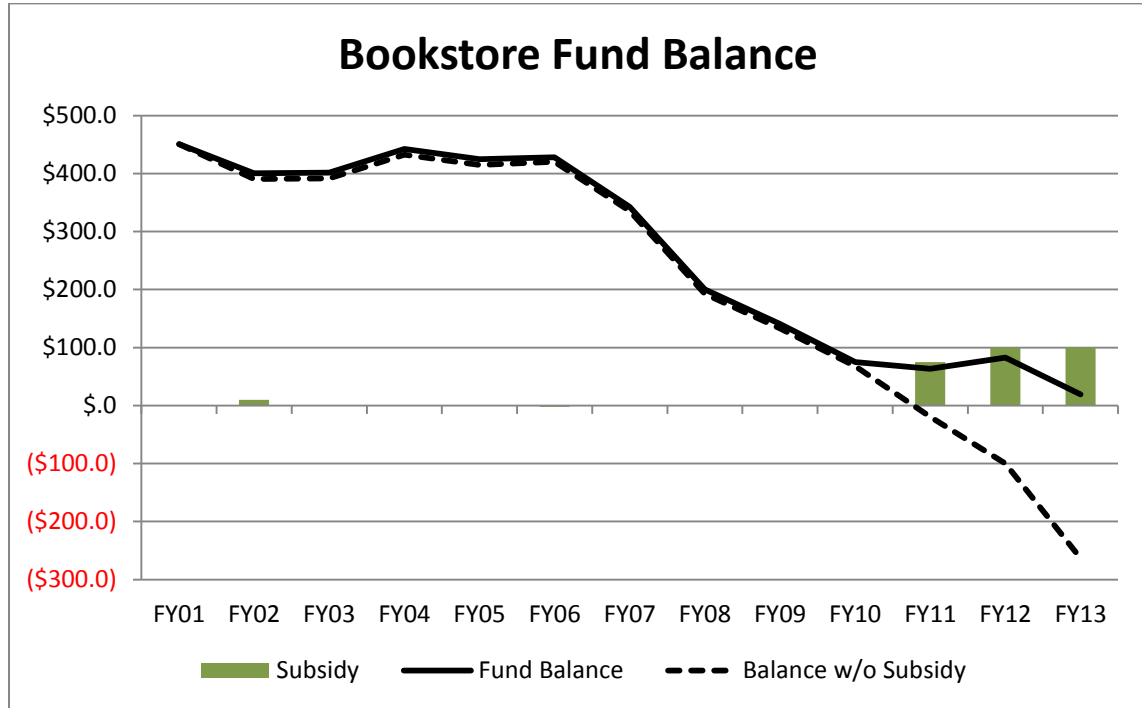


Profitability and Future Projections

None of these financial challenges are new. Of the eleven years included in this analysis, the Bookstore was able to show an appreciable profit in only one: FY04. Additionally, the lack of profitability cannot be attributed to the move to the current space with its associated debt service. Even with debt service factored out, the bookstore shows a consistent loss. In either case, the trend lines predict a future where substantial annual losses are the norm.



Until recently, the Bookstore addressed annual revenue shortfalls by drawing upon its fund balance. By FY11, however, the fund balance was exhausted, and UAS was forced to internally reallocate operational funds from other departments. This subsidy in FY11 was \$50,000, growing to \$100,000 in FY12 and FY13.



Financial Analysis Conclusion

The financial challenges facing bookstores are not unique to UAS. Changing markets and increased competition have forced even established national chains to restructure their operations or close altogether. However, the UAS bookstore cannot operate at a loss. As discussed in the first section of this report, negative fund balances are not permissible, nor are ongoing mandatory transfers (subsidies) allowable under UA accounting guidelines. The fund balance is effectively exhausted (\$19,196.95). The revenue shortfalls are projected to grow. Therefore, UAS must institute changes to restore financial sustainability to the operation.

Bookstore Stakeholder Survey

A survey was conducted at the end of the fall 2013 semester to gather the perspectives of the Juneau campus stakeholder groups. The survey was anonymous, but required a valid UA login to participate. Invitations were sent to Juneau campus employees and anyone enrolled in a current Juneau campus course. This includes all students enrolled in eLearning courses.

Survey Structure

Recognizing that there are many reasons why people frequent the bookstore and that many individuals have multiple roles, the survey first asked participants to identify where they lived and how they principally interacted with the bookstore.

The subsequent questions focused on the following:

- How helpful is the bookstore web site?
- How do you usually buy your text books?
- What do you purchase at the bookstore?
- Do you use the bookstore to purchase books using financial aid or agency funding prior to disbursement?
- What are the best things about the current UAS Bookstore that UAS should strive to preserve?
- What changes or new or enhanced services should UAS consider for the bookstore?

Survey Response

The response to the survey was good. Over 10 days, 305 responses were received. Based on self-identification, this constitutes 11% of all Juneau students and 15% of employees.

Summary of Findings

An analysis of each survey question is provided in the tables and graphs included at the end of this report. Overall, however, a number of interesting trends were identified in both the quantitative and qualitative responses:

1. The bookstore is seen as a high-quality retail space with a good selection, great ambiance and quality service.
2. Stakeholders who use the web site have a positive opinion; however, a significant number of local students, instructors and employees have never used the site at all.
3. MBS Direct online ordering is not used significantly by local students.
4. For local students, the campus bookstore remains the single largest source for textbooks.
5. Students expressed significant frustration over the cost of books and other bookstore items.
6. Students strongly value the availability of gifts and logo-wear.
7. Looking ahead, all stakeholder groups made relocating to campus a top priority.
8. Students want the campus to explore strategies for reducing the cost of books, providing book rental, and increasing buy-back opportunities.

SWOT Analysis

STRENGTHS	<ul style="list-style-type: none"> • Visibility: the bookstore is highly visible to the community and tourists • Quality Space: Stakeholders love the environment and the space conveys professionalism and quality • Vouchers: The bookstore is able to coordinate with Financial Aid to provide access to resources prior to aid disbursement • Responsive Campus Partner: The bookstore has been able to coordinate efforts and support Evening at Egan and other symposiums. In addition, the bookstore regularly features faculty and student artists and authors. • Community Partnership: the bookstore has participated in “first Friday” activities which connect with the community, providing image advertising for UAS.
WEAKNESSES	<ul style="list-style-type: none"> • Regulatory Constraints: as an auxiliary, the bookstore may not solicit business from the community and must take care to not directly compete with local businesses. • Overhead Costs: the current location adds a debt service obligation to the overhead. In addition, public employee costs are higher than is typical for small business. • Exhausted Fund Balance: the bookstore has no reserves to draw from.
OPPORTUNITIES	<ul style="list-style-type: none"> • Auke Bay Community: The Auke Bay area is developing a renewed sense of identity. It would be strategic to retain a strong presence in the heart of a growing community. • Growth of Alternative Delivery: new textbook delivery systems can be explored such as increased use of eBooks or textbook rental programs. • New Student Housing: UAS is increasing the capacity of campus housing. An increased campus population will bring with it demands for new and increased services. • Campus Renovation/Restructuring: UAS has committed to looking holistically at campus organization and services. This provides opportunities to deliver services in new ways or seek opportunities for consolidation. • Increased Campus Partnerships: there are untapped opportunities which the bookstore could explore such as establishing a “book and movie club” in partnership with recreation center.
THREATS	<ul style="list-style-type: none"> • Increased Competition: bookstores everywhere are finding it harder to succeed in the face of increased competition, primarily from online providers. • Rising Fixed Costs: fixed costs, especially for personnel, have been steadily rising and are expected to continue into the future. • Limited Enrollment Increases: the sale of textbooks remains the primary source of revenue for the bookstore. The profitability of the bookstore is therefore tied directly to enrollment; however, UAS is not anticipating significant enrollment increases.

Appendix A: Survey Data Analysis

Figure 2: Where do you live?

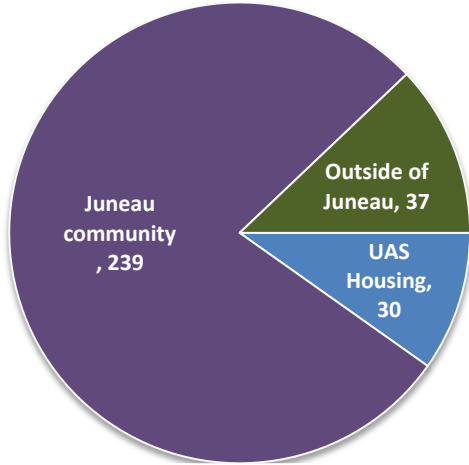


Figure 1: How do you principally interact with the bookstore?

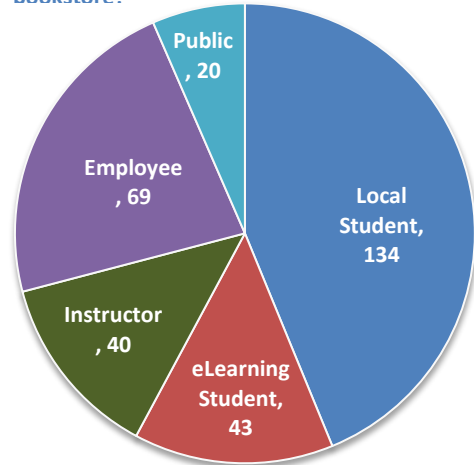


Figure 3: How helpful is the bookstore web site to you?

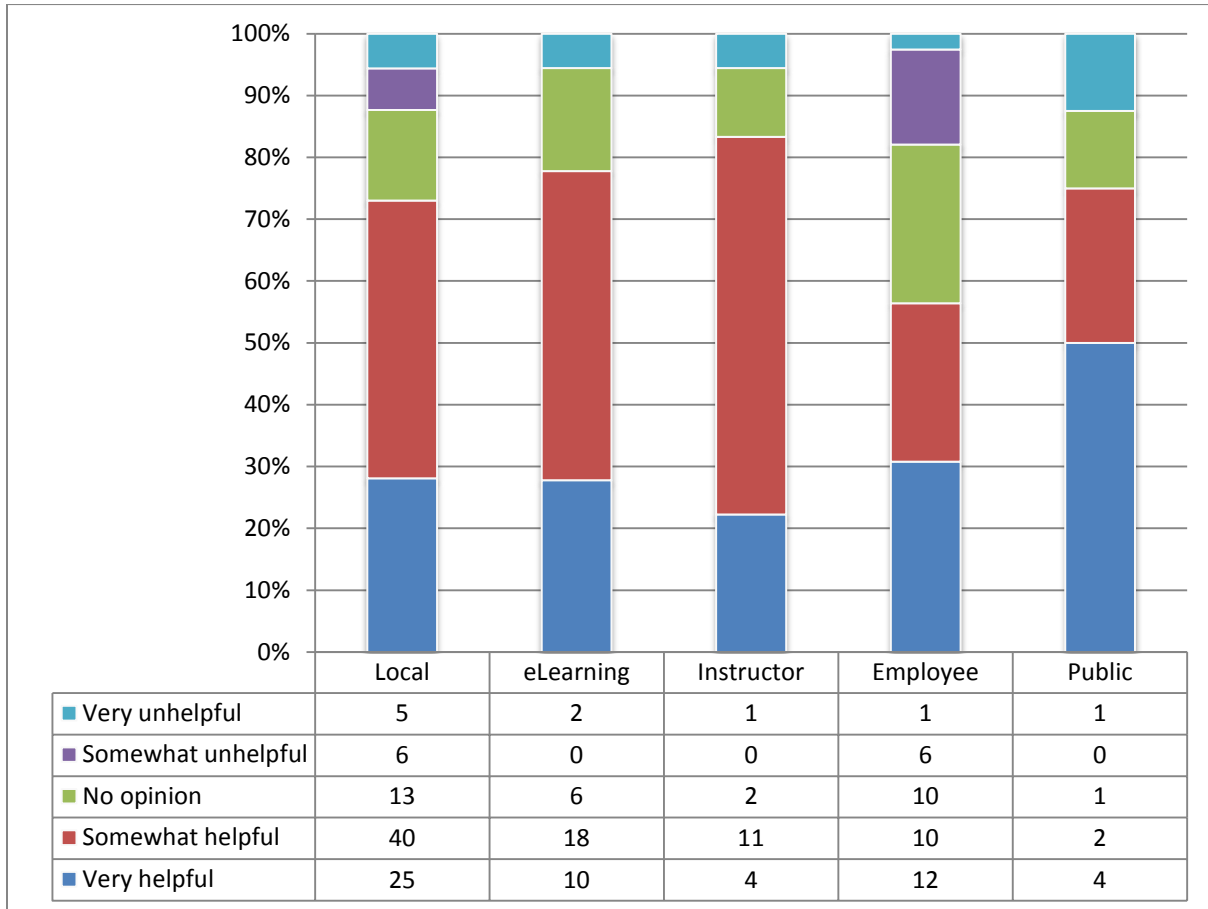


Figure 4: Never used website

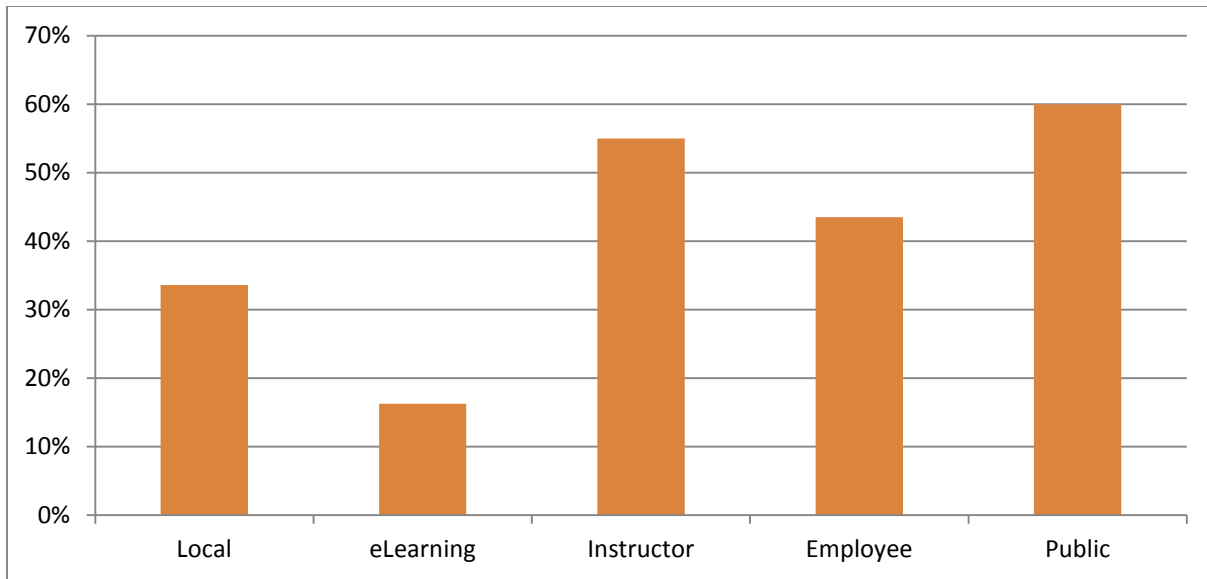


Figure 5: How do you usually buy your text books?

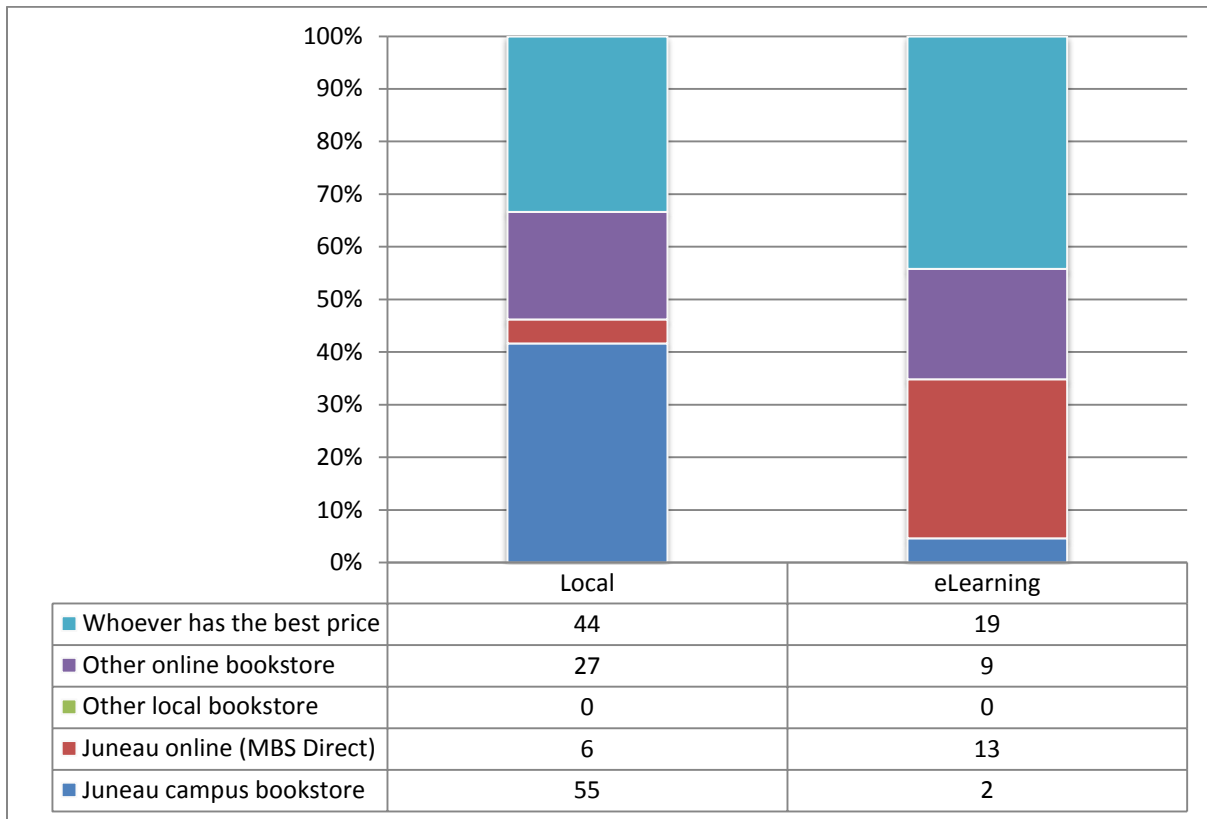


Figure 6: I use the campus bookstore to purchase...

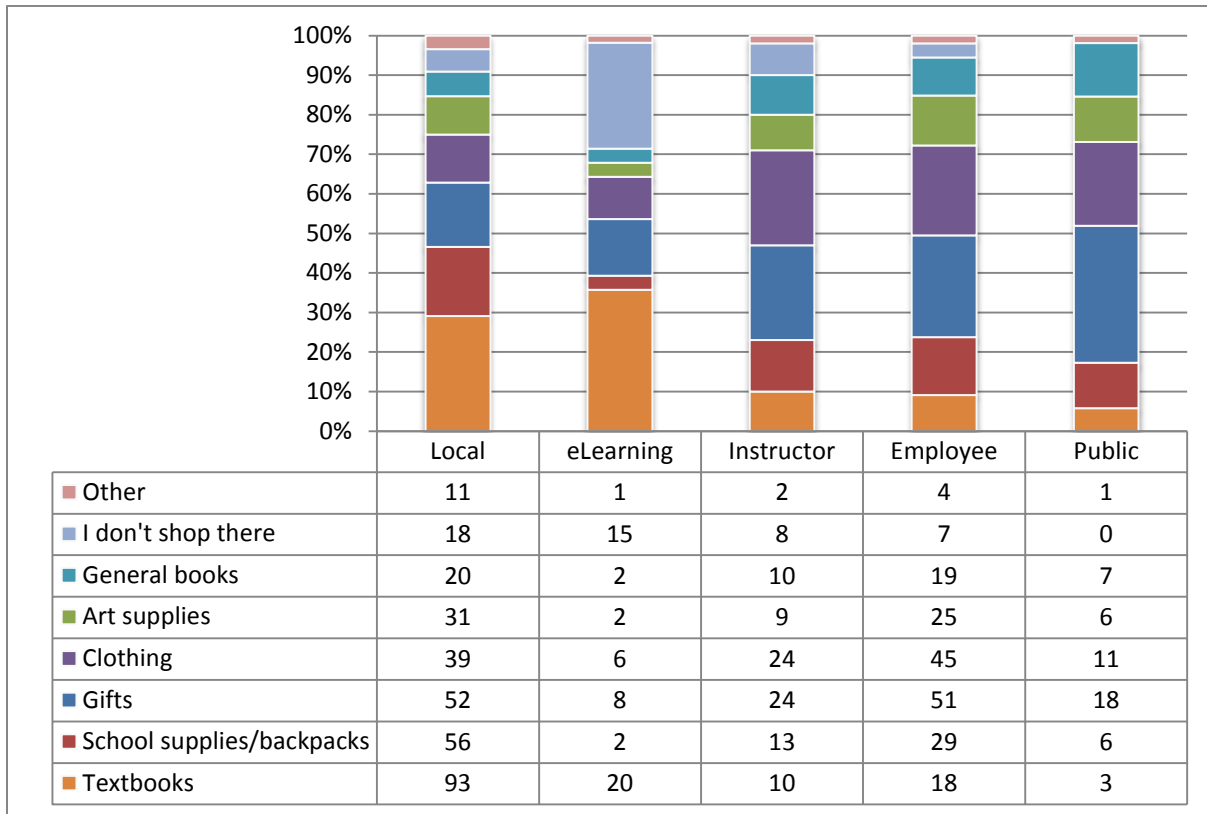


Figure 7: Do you use the bookstore to purchase books using financial aid or agency funding prior to disbursement?

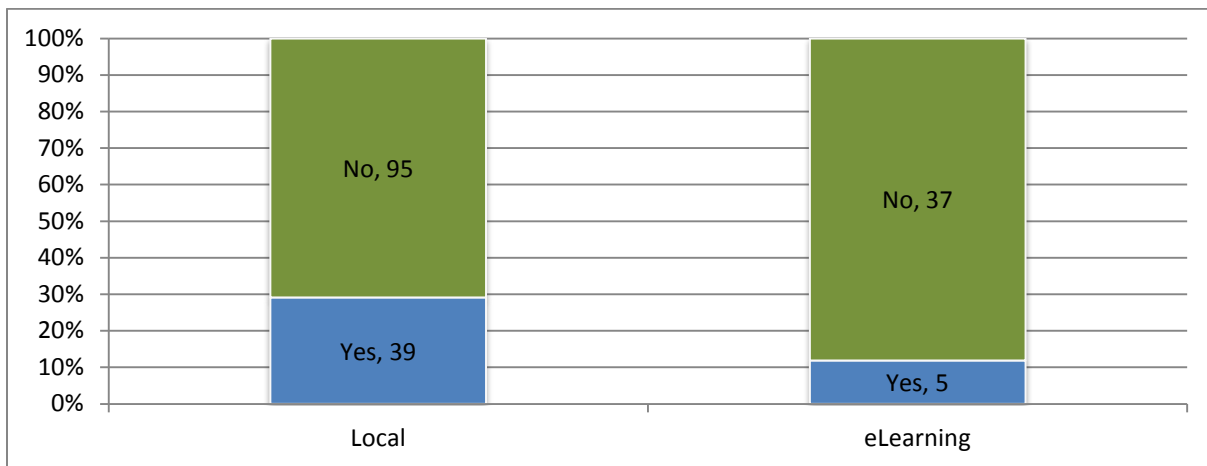


Table 1: what are the best things about the current UAS Bookstore that UAS should strive to preserve?

TOP RESPONSES	Local Student	eLearning Student	Instructor	Employee	Public	Grand Total
GIFTS	19	1	5	12	5	42
ADDS TO UAS	10	2	4	17	5	38
SELECTION	17	3	3	10	3	36
SERVICE	17	1	3	5	3	29
UAS LOGO CLOTHING	10		4	8	5	27
UAS LOGO MERCHANDISE	7		5	7	4	23
ALL OTHER						
ART SUPPLIES	9	1	3	4	2	19
ARTWORK	2		1	2		5
BOOKS	5		1	4	1	11
CLEARANCE SECTION	1					1
COMMUNITY BUILDER				7	1	8
EVENTS/SIGNINGS			1	2		3
FAIR TRADE	4		2	3	1	10
LOCAL ITEMS	1		2	5	1	9
LOCATION	7		1	3	1	12
NOTHING	2	1	1			4
SCHOOL SUPPLIES	6			4		10
TEXT BOOK MANAGEMENT	4	1	1	3		9
TEXT BOOKS	10	1	1			12
WEB SITE	4	1		1		6
GRAND TOTAL	135	12	38	97	32	314

Table 2: What changes or new or enhanced services should UAS consider for the bookstore?

	Local Student	eLearning Student	Instructor	Employee	Public	Grand Total
CHANGE LOCATION	11	3	6	19	5	44
REDUCE PRICES	33	4	3			40
BUY BACK POLICY	16		1			17
TEXTBOOK MANAGEMENT	4	4	2	2		12
LOGO USE	2			4		6
ALL OTHER:						
ADD CAFÉ	2		1	3	2	8
BE MORE STUDENT-FOCUSED	8			3	1	12
BROADEN SELECTION	6		1	3	2	12
CLOSE		1	1	1		3
MARKETING				2	2	4
MORE ARTWORK	2					2
MORE BOOKS	2		3	2	1	8
MORE EVENTS	3	1	1	3		8
MORE LOCAL	1	1		3	2	7
MORE SALES		1				1
NONE			2	1		3
RENT BOOKS	2	1		1		4
RENT ELECTRONICALLY	1		3	1		5
SERVICE	8			1	1	10
WEB SITE	4	2	1	2		9
NEW ONLINE PROVIDER	1					1
SELL BOOKS LOCALLY	1					1
GRAND TOTAL	107	18	25	51	16	217