

*The following is a report that outlines the activities of the Faculty Bookstore Committee over the last 20 months and a recommendation by the committee on what it would like to present to senior administration for consideration as a path forward. The Faculty Steering Committee discussed the report and recommendation with Bookstore Committee Chair Alan White on April 8, 2015, and endorsed the distribution of this report as the most appropriate next step. Comments or feedback on the report may be directed to the Chair of the committee or individual members. A list of the committee members is provided at the end of the report.*

Prior to the financial crisis in the late 2000's, the college was actively exploring the concept of moving the current college affiliated bookstore to Spring Street. It had explored potential venues and looked at plans for renovating some existing structures for the purpose of a college store. Due to the financial crisis these conversations were halted and the discussions were postponed.

In the Summer of 2013 the discussions began again. The college was interested in improving the store offerings and the college was being asked by its partner, Follett, to explore other store location options because of the less than ideal location of the current store on Water Street. As a result, the college surveyed some peers to determine how others of similar size and location (small college towns) addressed their college store operations.

The results of the survey were enlightening and the responses varied. The survey highlighted that each situation was unique and dependent upon a specific set of goals each institution had at the time. The responses ran the gamut of operations from self-operated campus stores completely staffed and run by the institution to full service campus stores outsourced to major campus store providers. Location also varied depending upon the town-gown relationships in each situation. Some institutions had multiple stores serving students and the community and some institutions had single stores located in student life buildings focused entirely on students. The size of the stores as well was extremely variable from 4,000 square feet to 20,000 square feet.

With this information in mind the committee made the decision to perform some industry outreach in order to have the experts tell the college what they envisioned would be the most suitable arrangement for Williams College and the Williamstown community with respect to the bookstore. With this in mind, the committee released a Request for Information (RFI) in November 2013. A copy of the RFI is attached as Appendix A. The RFI had a number of important objectives from the point of view of the committee:

1. Assess potential interest in operating a store in Williamstown
2. Determine best location as identified by the respondents
3. Determine what a campus store should include from the industry's perspective
4. Provide a framework for the capital contributions an operator would provide for renovation of space or construction of a building
5. Develop a pool of potential respondents should we release a Request for Proposal (RFP)

The RFI was distributed to the three largest campus store providers. The committee also contacted the American Booksellers Association as well as the New England Booksellers Association to leverage their communication platforms to reach independent booksellers or individuals who might be interested in operating an independent store. Both associations provided information on the RFI in their newsletter publications to their memberships and the College was contacted by many folks who were interested to know that the college was considering changes to its bookstore operations but were not interested in opening the store.

As a result of advice by committee members and by the American Booksellers Association, the committee reached out to and had discussions with owners of the following independent bookstores:

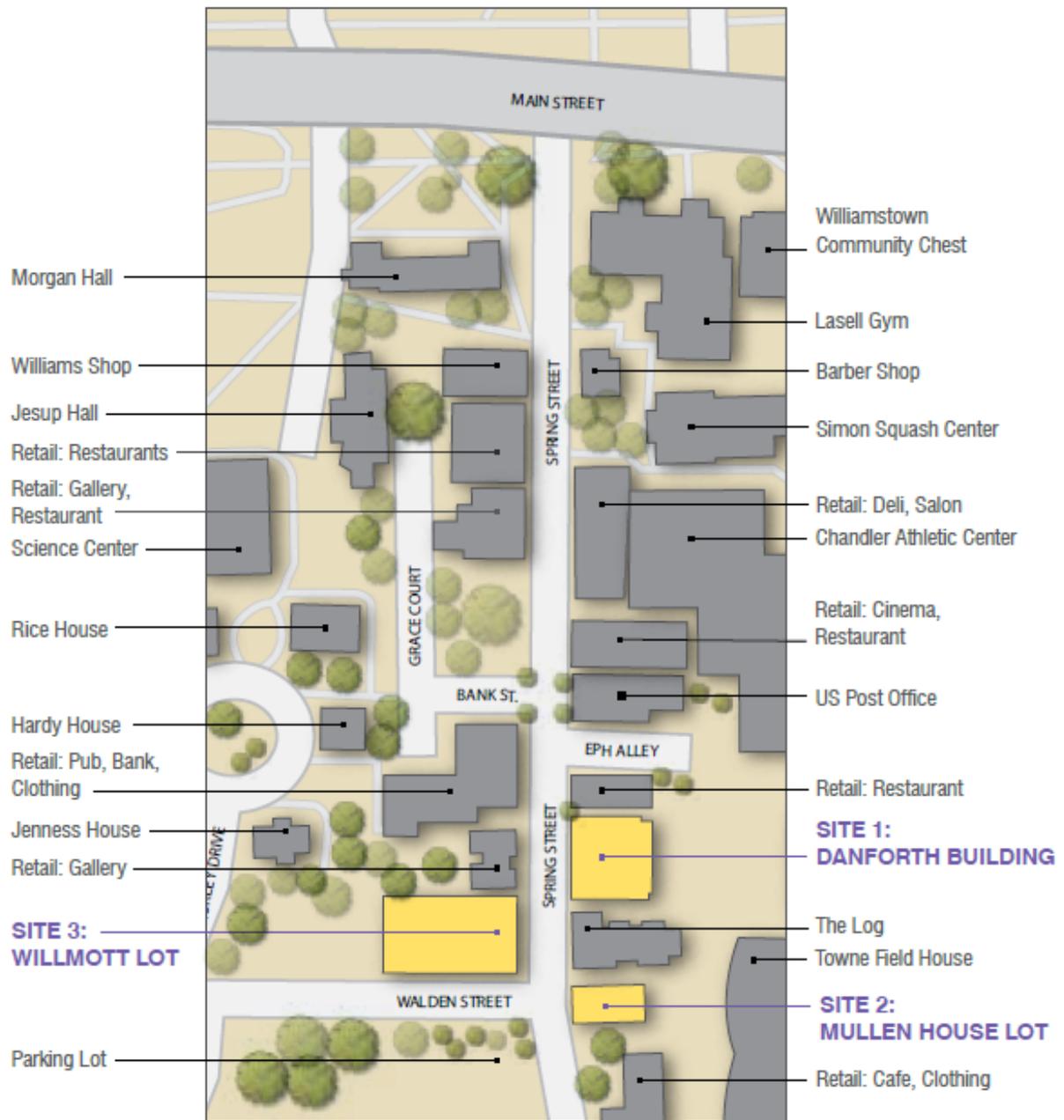
- Porter Square Books, Cambridge, MA
- Oblong Books, Rhinebeck, NY
- Northshire Books, Manchester, VT
- Odyssey Bookshop, South Hadley, MA
- The Book Loft, Great Barrington, MA
- Battenkill Books, Cambridge, NY

The College received six responses to the RFI. The College received responses from:

- Barnes and Noble College Division
- Follett (our current partner)
- NEEBO (Nebraska Book Company)
- Northshire Books
- Akademos (Virtual Bookstore Provider)
- Hugh & Marisa Daley (Local Entrepreneurs)

The committee was delighted by the number of responses and the interest expressed by the respondents. The RFI confirmed the committee's hunches that the best location for a bookstore / campus store was Spring Street, that a successful bookstore would need to sell college-logoed general merchandise, and that the College would need to provide the space for such an operation. The respondents varied with respect to some of the other aspects of the RFI such as whether a café or food operation was essential to the bookstore, but overall the respondents felt that a successful bookstore could be developed to serve Williams College and the community.

With the responses received, the committee, with input from the Board of Trustees and Committee on Priorities and Resources, determined that it would like to receive more concrete information with respect to potential relationships with each of the RFI respondents, so in August it sent each of them a Request for Proposal (RFP), requesting responses by October 1, 2014. A copy of the RFP is attached as Appendix B. The RFP identified three potential Spring-Street locations for the store, and the RFP asked that the respondents provide a preference for one of the locations along with detailed information on finances for the store and on logistics / operations. Below is a graphic highlighting the three potential locations:



**SPRING STREET LOCATION MAP**

The committee received 5 formal responses to the RFP; Hugh and Marisa Daley decided not to respond. The committee invited all the respondents to campus for presentations. The full committee met with Northshire Books and their textbook partner Rafter as well as with Barnes and Noble College division. Given the challenges with scheduling these meetings, a subset of the full committee met with Follett and NEEBO. During deliberations, the committee determined that a brick and mortar store was

desirable, and that a solely virtual bookstore solution would not be ideal for Williams College, thus the committee did not meet with Akademos.

Following these presentations, the committee shared its findings with the Committee on Priorities and Resources (CPR) to get some initial feedback. Committee chair Alan White presented to the CPR on November 17, 2014. The CPR was very supportive of the work of the committee but expressed concern about the means of providing course materials proposed by Northshire Books. The CPR also noted the financial differences between the models proposed by the campus-store providers and that of Northshire Books, and urged the committee to take these differences seriously. Based on the feedback from CPR and on committee deliberations, the committee decided to hold two open forums.

On December 2, 2014 and December 4, 2014 the bookstore committee hosted the two open forums. The first forum drew only three people (two faculty members and one student), the second, around forty (mostly faculty, but no students) and the committee heard from many folks individually (through conversations and email, both before and after the meeting). The most important feedback it received concerned views about independent bookstore operators and non-independent bookstore providers. Many at the meetings expressed a preference for an independent bookstore operator, while others felt the delivery of course materials was the highest priority and noted that campus store providers, including our current operator, had a good track record in this area. The participants in the forum agreed with the committee that the RFP response from Northshire Books did not include an adequate plan for providing course materials, and urged the committee to offer Northshire the opportunity to change that plan. The committee did so, and also, guided by the discussions at the forums, requested clarifications and additional information from all RFP respondents. It also informed the respondents that the location of the store would be the Willmott lot.

The respondents were given until January 30<sup>th</sup> to provide their proposal clarifications to the College. Following receipt of the responses, the bookstore committee reviewed the responses and developed a presentation to seek additional feedback from interested parties. On February 19, 2015 the bookstore committee hosted another open forum. Attendance at the February meeting was again around 40. The committee learned of two developments that it has since investigated, i.e., a recent change at the Vassar College Bookstore, and potential interest from operators of an independent bookstore from which the committee had not heard.

The committee contacted Vassar College to gain insight into the recent changes they have made to their campus bookstore operation. Vassar College recently moved its bookstore from its student center, on campus, to a renovated site off-campus. The store was previously operated by Barnes and Noble and is now operated by Vassar. The store now focuses exclusively on general merchandise sales, including local artisan's goods as well as college-logoed merchandise. Four weeks out of the year the store is transformed to handle textbook sales and related services. No other books are offered in the store nor is any food vending operated out of the store. This is not the kind of store the committee deems optimal for Williams. Vassar is lucky to have an existing independent bookstore in town located next door to the gift shop to provide this service to the community. The initial investment in the store is also

hefty and it is anticipated that the store will lose \$100,000 a year in the early stages; Vassar hopes that it will break even at some point in the future.

The committee also contacted the owners of Newtonville books but they indicated via a third party that they were not interested in operating a store with textbooks.

What follows are highlights of the proposals we received. **All proposals assume the College will build and provide a space for the operations as proposed.**

### **Independent Bookstore Operations – Northshire Books**

#### *Overview*

The revised proposal received from Northshire Books anticipates a management-fee arrangement. The College would provide the capital (money) to stock the store and Northshire would provide the expertise to run and manage the store. For these services, it proposes that the management fee would be roughly 8% (~\$150,000) of gross sales a year and that if net profit exceeded a defined threshold Northshire Books would share in the profit in addition to receiving the management fee. The revised proposal also included a new vision for sourcing textbooks using existing software services for doing so. The envisioned partnerships are:

- General Textbook Sourcing: Verba - <http://www.verbasoftware.com/>
- Used Textbook Sourcing: Sidewalk - <http://www.sidewalkpro.com/products/#rent>
- Digital Texts: RedShelf - <https://www.redshelf.com/>

These partnerships would enable the management company to source the materials using their software and existing networks to provide the materials. Students would still get their materials as they do now by coming into the store. Costs for these services are not indicated. The proposal indicated that this program for textbooks had not been fully vetted and some changes could occur once the relationship was finalized.

#### *Finances*

Based on the financial pro-forma (e.g. sample financial statements) shared by the respondent, the College would invest upwards of \$1,250,000 in inventory, furniture, fixtures, and equipment to get the store up and running in addition to building the building, which will cost \$5,000,000 or more. The ten-year revenue stream to the College based on the pro-forma is estimated at \$500,000 to \$750,000. This stream is dependent on the bookstore making a profit; if there were years in which the store did not make a profit, the College would receive nothing but still be required to pay the management fee.

### **Campus Bookstore Providers – Follett, Barnes and Noble, and NEEBO**

#### *Overview*

The proposals for the campus bookstore providers are all very similar. All of the respondents are committed to providing some funds for initial start-up costs. These funds are primarily committed to

supporting the cost of furniture, fixtures, equipment and signage to be used in the store. The range of contributions for such purposes in the proposals is \$250,000 to \$400,000. Each respondent also commits funds for marketing or scholarships for the college community. These funds committed per the proposals range from \$10,000 to \$16,000 annually.

In lieu of rent or other expenses, each respondent is committed to paying the college a commission for the opportunity to run the campus store. The commission percentages proposed range from 10% to 17%. These commission percentages are variable dependent upon the total gross sales of the store.

Each respondent is willing to partner/assist with the design of the store but agrees that the design and layout is the college's responsibility and at its discretion.

Each respondent is also committed to working in partnership to develop a store that is uniquely Williams and branded as such.

It is important to note that the proposals and the commission percentages provided by the campus store providers depend on the store being able to provide college-logged merchandise; our past and current contracts with Follett have prohibited this.

#### *Finances*

The campus-store providers do not anticipate the college providing any funds to outfit the store or to provide funds for inventory. The ten-year revenue stream to the College based on the pro-formas shared by the respondents is estimated at \$3,000,000 to \$3,500,000. This revenue stream is *not* dependent on the store making a profit; the College would receive a percentage of gross sales every year.

#### **Internal / Auxiliary Operation**

The committee, following the last open forum, reviewed the potential for operating the store as a Williams College auxiliary operation, similar to the college child care center. This model would entail hiring staff, as Williams College employees, as well as developing the entire inventory for the store. The review determined that the costs for such an endeavor would be significantly greater even than the expense of working with an independent operator, and that there would be similar challenges in developing a reliable method of course material procurement along with considerable challenges in transitioning to this model. The committee therefore feels that this is not a viable option for the college bookstore.

## Financial Summary of Proposals

The following chart provides an overview of the finances associated with the proposals described above:

	Independent Operator	Campus Store Provider-Follett***
<b>Construction Costs (One Time)</b>		
Building	\$5,000,000	\$5,000,000
Furniture, Fixtures, Equipment	\$325,000	\$400,000
Inventory	\$950,000	
Capital Contribution	\$0	(\$400,000)
<b>Total Construction Costs</b>	<b>\$6,275,000</b>	<b>\$5,000,000</b>
<b>Operational Cost (Annually)</b>		
Management Fee	~\$150,000	\$0
Commission / Profit	(\$50,000)*	(\$325,000)*
<b>Total Operational Costs**</b>	<b>\$100,000</b>	<b>(\$325,000)</b>
<b>Ten Year Operational Costs</b>	<b>\$1,000,000</b>	<b>(\$3,250,000)</b>

\*The figures provided above are based on the financial pro-formas shared by the respondents.

\*\*A positive figure is a cost to the college, a (negative figure) is revenue to the college.

\*\*\*The above chart provides the figures based on the Follett proposal, but all campus store providers proposals were very similar financially.

Based on the information shared above, it is estimated that the financial differences between the two proposals over a ten year period is approximately \$4,250,000, with the independent store solution costing more. This figure is based on the financial data shared by the respondents. The \$4,250,000 variance is not inclusive of the additional up front capital costs of \$1,275,000 highlighted in the chart above.

## Committee's Interpretation and Recommendation

The committee is grateful for the input it has received from so many folks across campus throughout the process, both at our open forums as well as via emails and one-on-one conversations, and appreciates the time so many have given. It has been extremely helpful in assisting the committee with making a recommendation.

The committee has been aiming to weigh the benefits and limitations of the two main options described above. *Ensuring timely and accurate access to and delivery of required texts for classroom instruction is paramount*, but the committee has also heard the strong desire for a better selection of books in the general bookstore holdings. The committee has also been considering the very significant differences in the financial implications of the two options, bearing in mind that these options have not only short-term but long-term implications for the operating budget.

The committee would like to propose a modified version of one of these options to accomplish the goals of having an independent bookstore together with high-quality text provision in a manner that builds on the current positive relationship with Follett and its local manager Richard Simpson and that avoids

having the college channel very significant resources away from other college priorities. As outlined below, our recommendation entails expanding the size and function of the bookstore committee and forging alternative ties with independent booksellers.

The committee would like to recommend that a new building be built at the corner of Walden and Spring Streets referred to as the Willmott Lot. The committee, as discussed above, looked at many alternatives in the process for placing a store on Spring Street. As part of the review the committee reviewed the current location on Water Street and it was determined that the space was not conducive for hosting events, did not invite walk-in visitors, and parking was limited. Students on the committee also indicated that for purposes of securing course materials the location was detrimental. During the RFI process described above, it was clear that the respondents and the industry felt that a store on Spring Street would be best. The committee felt based on its review that a store on Spring Street would help to contribute to the overall vitality of this important thoroughfare in town.

Once the committee was focused on Spring Street, multiple options were reviewed including the renovation of existing spaces on Spring Street owned by the College. Unfortunately, an ideal space does not exist and the costs of renovating an existing structure proved too expensive and would not deliver the space that would best suit the vision that so many in the community have expressed.

As a result of this review, the committee feels that in order to deliver a high quality store a new building is the most logical and economical way to proceed. The recommendation of the committee is to build a building that maximizes the space available and is built to LEED Gold standards, consistent with the college's current practices. In addition, the committee is hopeful that a new structure will include additional space for college use either for much needed faculty / staff rentals, faculty office space, or commercial office space.

In addition to the new building the committee would also recommend that the current bookstore operator, Follett, would be the operator of the store and the committee would work in partnership with Follett to design a store that first and foremost would be a bookstore. At this time, the exact contents of the store are yet to be determined and the committee would work with Follett to determine the best possible solutions; as it did so, it would continue to seek community feedback.

The committee has confidently concluded that this solution will provide the needed continuity with respect to its textbook operations and enable the college to maintain the relationships with the employees currently at Water Street Books. The challenges to providing textbooks (due to hard-to locate texts, late adoptions, and shifting enrollments) each semester should not be underestimated. We are therefore concerned about the fact that Northshire, which does not have a record in managing textbook operations, has not adequately explored its proposed partner arrangements.

In addition, in order to address the desire expressed by the community for a community bookstore, the College will re-envision the bookstore committee's charge and membership. The new vision will involve a committee that has expanded membership including one or more operators of independent bookstores who will serve as consultants and share their knowledge of book lists and small independent publishers to make sure our store adequately provides from these publishers. In addition, it is

anticipated that the independent bookstore consultants would lend a hand in developing community programs as well as enhancing access to potential author events. The committee has actively reached out to independent bookstore operators to determine their willingness to serve in this capacity and is thus far encouraged by the response we've received. Two individuals with detailed book industry and independent bookstore operational experience have expressed serious interest in serving in this capacity. In addition, we propose that the committee have additional faculty members appointed who will serve as advisors on all operations of the bookstore, including the design phase and the vetting of book lists to insure that the store is providing the right resources for the community.

Lastly, the committee is encouraged by the financial health of Follett as a partner. They are a privately held company with a very strong balance sheet. They currently carry zero debt. It is also important to note the potential impact the new store would have on existing businesses on Spring Street. The college has met consistently with the owner of Goff's Sports to make them aware of the plans with respect to the bookstore. The contract with Follett will not contain any exclusivity language regarding college logoed merchandise. The college has also mentioned the bookstore concept to other businesses on Spring Street and the concept has been met with positive responses. Follett has also said that it would be interested in working with the college to develop the right type of food service for the store if that is desired. Follett has successfully run food operations as a part of their stores but has also partnered with local operators in the delivery of food. This flexibility was also appealing to the committee and is something the re-envisioned bookstore committee mentioned above will provide guidance on going forward.

In closing, the committee debated over the last several months the merits of an independently operated bookstore compared to one operated by a campus bookstore provider. It recognizes the merits of small independent stores and the potential value such a store would bring to our community, but the costs of doing so, both financial and in the reliability of providing course materials for our students, were overwhelming factors in the committee arriving at its recommendation.

#### **Faculty Bookstore Committee Membership**

Alan White, Chair, Mark Hopkins Professor of Philosophy

Kerry Christensen, Professor of Classics

Tara Watson, Associate Professor of Economics, Chair of Public Health

Lee Park, Associate Dean of the Faculty, Professor of Chemistry

Students: Ellen Finch '16

Jochebed Bogunjoko '16

Caitlin Buckley '17

Chris Winters, Associate Provost

Fred Puddester, Vice President, Finance & Administration

Matt Sheehy, Associate Vice President, Finance & Administration