J.J. Colao
Forbes Staff
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CampusBookRentals Rebrands To Go Full-Bore On A Profitable Niche: College Bookstores

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Alan Martin struck his first alliance with a university bookstore back in 2009, two years into his run as the CEO and founder of CampusBookRentals (CBR). Turns out, it was a prescient move.

Though the company grew nicely through the years—2011 sales more than tripled the $9 million made in 2010—Martin grew worried about the threat of digital textbooks to the company's core rental service. If textbooks went digital, how exactly would a physical textbook rental service survive? The public markets haven't exactly given a warm welcome to rival Chegg, for example, whose stock has nearly halved since debuting in November.

As CBR delved more deeply into university bookstores, providing white-labeled rental services and inventory management software, the company began to realize that bookstores actually provided a nice, protected market, digital threat or no. "It just became more and more clear to us that the university bookstore is very valuable to the student and very underserved," says Martin, a 35 year-old from Utah who started the company with $250,000 in credit card debt.

Plus, he reasoned, owning the relationship with those bookstores should serve as a nice bulwark against the shift to digital.

Sidewalk CEO Alan Martin turned to campus bookstores to fend off the threat of digital.

Today the company, now with 110 employees in Ogden, Utah, is completing the transformation that began five years ago. Half of its $40 million in annual revenue comes from bookstore partnerships, a number that will soon overtake its traditional rental service. To account for the changing focus, it's rebranding as Sidewalk. (The company launched the Sidewalk brand last year, but it will now take precedence over the old CBR brand.)

Sidewalk offers bookstores four different services. The company started by placing touchscreen kiosks on campus, enabling students to rent about 90% of textbooks available in store. When a student chooses to rent a textbook rather than buy–usually a 40% discount or so–Sidewalk actually purchases the book for its full retail price from the bookstore, then collects the students' rental fee. Once a student returns the title to the bookstore, the store can either buy it back from Sidewalk to resell it later (this is one point at which Sidewalk makes its margin) or send the company the title to rent out via Campus Book Rentals.

"We used to have about a 100 titles available for rent," says Dirk Fecho, a manager at the University of Connecticut's bookstores, who uses Sidewalk's rental program. "Now it's in the thousands. It's about a 20-fold increase."For campus bookstores, he says, this expanded rental offering keeps students in the fold, and away from Amazon and eBay EBAY -0.57% .

Marketplace, meanwhile, connects a network of 200 schools together so they can buy and trade inventory while cutting out traditional middlemen. Martin says that traditional textbook wholesalers might buy a batch of books for, say, 20% of retail, then turn around and sell them to another school for 50%. Marketplace allows schools to deal directly with each other, constricting that spread. This means that schools can make more money, while keeping prices low for students. Sidewalk takes a 9% cut from sellers on Marketplace.

The company also offers Pro, a suite of point-of-sale and inventory management software, which the company sells on a SaaS basis for $750-$4000 each month, depending on student enrollment. Promote, its most recent offering, lures students back into bookstores by displaying university's pricing and titles while they shop for books online.

Around 350 university bookstores use the company's services, including those of Cornell, UNC and UCLA.

Sidewalk has been profitable since 2009, though top-line growth has slowed in recent years. After growing sales by multiples in early years, the company notched $28 million in 2011, then $34 and $40 million the following two years–respectable, to be sure, but not the breakneck growth often expected of young, venture-backed companies. (Sidewalk raised $20 million in Series A funding in 2011.)

Martin attributes the slowdown to a pullback in marketing spend and a ramp up in product development in mid-2012, as Sidewalk shifted from its CBR business to focus on campus bookstores. "You can buy revenue all day long," he says. "But this industry is at a tipping point."