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Looking For A Nice Annuity? Try Renting Out Your Textbooks

Want more cash for your textbooks? Try renting them out.

There's something sinister about paying three figures for a hunk of dead trees, only to see its value plummet 70% in a matter of weeks. College students selling textbooks know the feeling well. Turning in tomes to the campus bookstore is an exercise in giving up assets for pennies on the dollar. "There's a general disgust," says Alan Martin, CEO of CampusBookRentals, a company that rents out textbooks to college students. "It's not just that they cost so much, but they get so little back in return."

Of course, there are options. Amazon, eBay and other online channels offer decent prospects for scraping back face value, but there's risk if the books don't sell. And since online consumers expect to buy used titles at a steep discount, students still leave cash on the table.

One proven way to squeeze value–and even a nice profit–out of textbooks: rent them. Companies like CampusBookRentals and Chegg have built multimillion-dollar businesses on the model. Rent out a $120 book for $40 four times, say, then sell it for $30. Multiply that scenario tens of thousands of times and the math adds up nicely.

CampusBookRentals now wants to insert the student into that equation. With a program called Rentback, the Utah-based company encourages students to send in their used textbooks, which CBR then rents out per the usual process. Students, who continue to legally own the books throughout, collect the proceeds of each rental minus a $19 transaction fee that covers shipping, marketing, logistics and a small profit for the company.

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For a textbook like Physics, for example, published by Wiley & Sons, CBR expects to rent the book for $54 initially, and for smaller amounts three additional times. Even if the price declines by $5 for each subsequent rental, students sending in the title still stand to make $110 over the course of two years. At any point in between rentals they can take the book back and sell it on their own if they think the economics don't make sense. A new edition of the same title sells for $172 on Amazon.

The tradeoff is simple: CBR gets a cheap inventory of textbooks while promoting goodwill among its customers. Martin admits that the program isn't designed to serve as an additive revenue stream, but to deepen customer loyalty and strengthen the company's brand cachet. To avoid getting stuck with bad inventory, the company only accepts books that have proven demand. Don't send in this title for example.

Though best known as a consumer brand, CBR is increasingly focused on introducing its technology into university bookstores. The company powers the textbook rental services of 250 campus bookstores through white-label partnerships, running touchscreen kiosks, iPhone apps and inventory management software. "Those stores are going to be the primary partners and drivers of Rentback," Martin explains. Each one advertises the money-making opportunity to its student body. Martin says that 1.2 million students attend colleges with a CBR-partnered bookstore.

A reflection of its shifting focus, CBR is differentiating its consumer business from bookstore efforts, rebranding the latter as Sidewalk. One reason for the increased attention on bookstores: the digital threat. Printed textbooks still dominate today's landscape, but what about ten years from now? "We need to occupy the industry endpoints," Martin stresses. "That's going to give us the opportunity to be the primary digital distributors as well."

Though still dwarfed by Chegg's reported $200 million in 2011 sales, CBR has grown at a rapid clip since Martin founded the company with $250,000 in credit card debt in 2007. The company posted sales of $28 million last year, triple its 2010 take of $9 million. Martin expects to rent out one million books in 2013 and top 2012 revenues by 20% while refining the company's bookstore technology. Unlike Chegg, CBR has been profitable since 2009.

Martin points out that CBR also partners with "frenemies" like Amazon and eBay to fulfill order for their book rental programs. "Publishers," on the other hand, "are always going to wish we were nonexistent."